

# 2015 STAR RATINGS REPORT

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Business  
Credit Cards



# Business Credit Cards

August 2015

## Foreword

A good credit card is essential for just about every business these days. It's an easy method of payment for costs such as goods from suppliers, particularly those overseas. Plus, it's handy for expenses when there's a team, as it makes the business of account-reconciling so much smoother. Some business cards even offer GST statements.

Just as one business is not the same as the next, credit cards differ according to the way they are used. Ignoring this may cost you in monetary terms or in points-based rewards that you qualify for but don't receive. Fine tuning your business credit card account could easily help your company's bottom line.

In this report, we look at the specialized nature of 14 business credit cards from 7 providers. We put these products through the hoops at various scenarios involving annual spend levels of \$60,000 and \$120,000. We compare what features they offer to the user-type they were designed to serve.

Any business needs to keep tabs on costs – and banking products are included in this. Comparing your card against what's out there in the market just makes simple sense. Even if your current card offers outstanding value in our comparison, you need to know that.

We hope you find this report informative and useful.



**Mitchell Watson**  
Research Manager

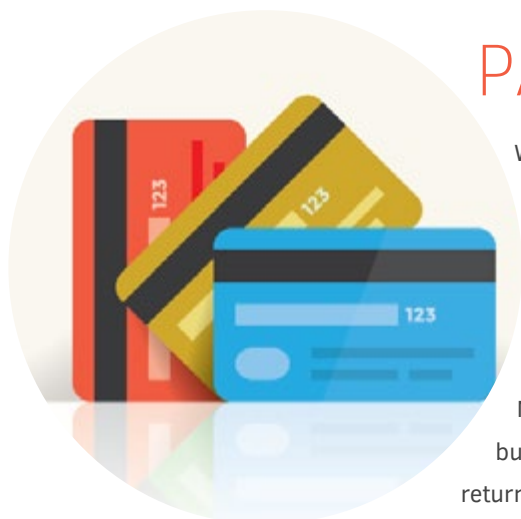
# REWARDS RESHUFFLE

Unless you live under a glacier, you would know the turbulence that's affected business credit card rewards programs lately. BNZ's GlobalPlus cards no longer offer Air New Zealand Airpoints Dollars on purchases. These have instead been picked up by Westpac which is now marketing a suite of Airpoints-branded cards. Airpoints are also offered by several other financial institutions including ANZ, Kiwibank and American Express.



On the other side of rewards, BNZ's GlobalPlus cards have reappeared under the banner of BNZ Advantage. This time they are championing Fly Buys, touted as New Zealand's number one loyalty program. At this stage BNZ Advantage cards are only available to customers who previously had a GlobalPlus card but that's likely to change very soon when new rewards offers are unveiled.

So where does this change of rewards flight path leave Kiwi travelers? It's bound to have caused some degree of turbulence in travel plans – after all, we made 2.28 million trips overseas last year – a large chunk of that for business. It will be interesting to see how the market unfolds in the next few months.



## PACK OF 3 CARDS

When it comes to business-specific credit cards, there are now only three business cards in the market that can earn Airpoints Dollars – American Express Business Card and Business Gold Card, and the previously-mentioned Westpac Airpoints Business MasterCard.

The Amex cards are charge cards but Westpac's new Airpoints Business MasterCard really does set the standard for earning Airpoints on your everyday business spend. It earns 1 Airpoints Dollar for every \$75 spent on the card. It also returns one Status Point per \$225 spent.

In the race for new customers and market share, we have seen a flurry of enticing bonus offers on new customer sign-ups but these have all died down, leaving Westpac still offering a 5.95% balance transfer offer for the life of the balance transfer.

Whilst we haven't given this new card from Westpac an outstanding value award, the card's very good earn rate means it is worth considering for a business owner who want to get something in return for their spending and can justify the cost. With 1 Airpoints Dollar per \$75 spent, and an annual fee of \$145, it would only take an annual spend around \$11,000 for the card to pay for itself.

Company	Product	Annual Fee	Reward Program Fee	Interest Rate	Spend for 1 Airpoints dollar	Spend for 1 Status Point
American Express	Business Card	\$55	\$50	Charge Card	\$175	-
American Express	Business Gold Card	\$95	\$50	Charge Card	\$175	-
Westpac	Airpoints Business MasterCard	\$145	Nil	20.95%	\$75	\$225

# CHOOSE YOUR REWARDS

Business rewards cards generally offer only three types of loyalty rewards - flight rewards, merchandise or cash back. Each has its own appeal, according to the type of business you're in and the how often, or not, you use your credit card. Here's a quick rundown of each rewards type.



## FLIGHTS

Flight rewards allow you to earn points to put towards flights domestic and international flights. These rewards, Airpoints or Frequent Flyer, are popular with those who do a lot of business travel or have staff who travel for business purposes. Flight rewards can also include free airport lounge passes or travel agents to book your accommodation.



## CASH REWARDS

Cashback cards appeal to the business owner who just wants to minimise expenses. As the name implies, these cards reward you by refunding a certain percentage (usually from 0.5-1%) of all your card-related spending. Doing most or all of your spending with the credit card to maximize your cash back rewards can be a good option for those who want more flexibility with how they redeem their rewards. Cashback is typically credited back to your credit card - to reduce your outstanding balance - or redirected into a nominated deposit account.



## MERCHANDISE

Merchandise rewards come in a wide variety of forms. They include all manner of shopping for goods and supplies which may be useful for your business. Some cards offer gift vouchers. Others, such as Westpac's Hot Points and ASB's True Rewards, can be redeemed for everything from smartphones to espresso coffee machines for the staff kitchen to car fuel for the sales staff.



## WHAT TO LOOK FOR IN A BUSINESS REWARDS CARD

Extra perks are always a welcome bonus, particularly if they save the business money. Don't under-estimate the value you'll get from the built-in complimentary insurances your rewards card is likely to come with.

In particular, look out for these three insurances:

### Employee Fraud Protection

Employee fraud protection insurance protects you up to certain limits from misuse of a credit card issued to a current or former employee of the business. This cover is above and beyond the cover against liability for fraudulent transactions provided by the credit card schemes themselves.

### Overseas travel Insurance

This type of cover provides medical, cancellation and inconvenience insurance when you travel overseas. To activate this insurance, you will usually

have to purchase your airline tickets using your credit card. When relying on credit card travel insurance overseas it is important to make sure you know exactly what you are covered for and how the policy is activated.

### Extended Warranty Insurance

As the name suggests, extended warranty cover insures items you buy with the card that break down after the manufacturer's warranty ends. This cover usually extends the warranty an additional 12 months. To claim, you will likely have to pay for repairs yourself and then be reimbursed from the insurer, minus an excess.





## RATES & FEES CREEP UP

The average interest rates on business credit cards has gone up by 0.88% when we compare rates of cards assessed for our Star Ratings from July 2014 to July this year. This is mainly contributed to new credit cards in the market opposed to interest rates increasing on existing credit cards. There is quite a difference between minimum and maximum rates on cards at the moment.

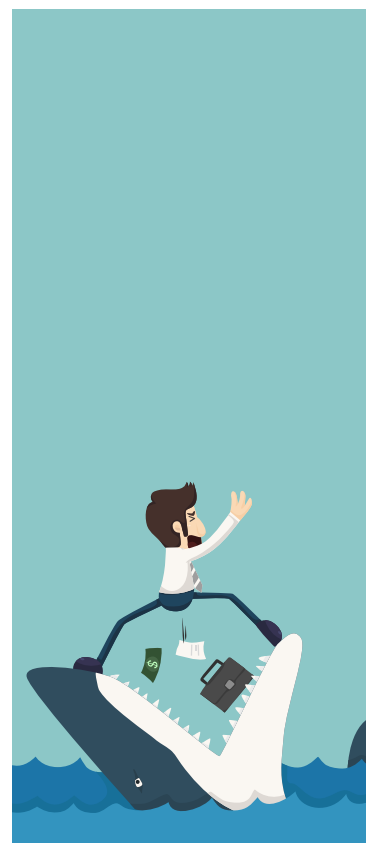
You can still get a card with a minimum interest rate of 14.95%. This has remained unchanged from last year but the maximum now of 20.95% is a full percentage point higher than July last year. This has bumped the average rate up to 19.07%.

Interest rates	Jul-14	Jul-15	Change
Minimum Rate	14.95%	14.95%	+0.00%
Average Rate	18.19%	19.07%	+0.88%
Maximum Rate	19.95%	20.95%	+1.00%

## Annual Fees

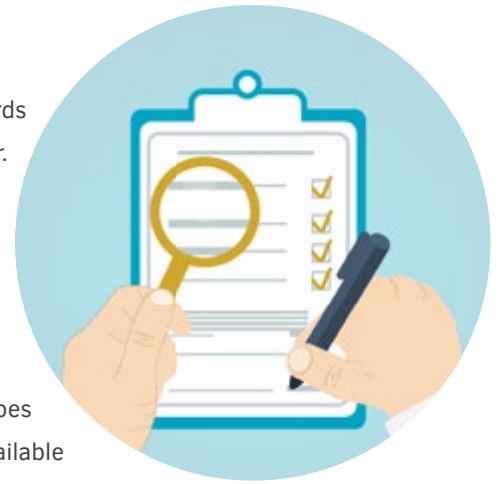
At the lower end of the market, the minimum annual fee you will pay for your card has not changed – this is still sitting at \$25. However, the maximum annual fee has increased by \$45 to \$145, largely driven by Westpac introducing their new \$145 card. As mentioned previously, this is a card that comparatively is quite a bit more expensive but it does come with a good rewards program and will be of value to a certain business segment.

Annualised Fees	Jul-14	Jul-15	Change
Minimum	\$25.00	\$25.00	+\$0.00
Average	\$60.56	\$69.00	+\$8.44
Maximum	\$100.00	\$145.00	+\$45.00



# WHAT WE ASSESS

There is no one-size-fits-all business rewards credit card. Essentially business rewards cards are of value to two distinct types of users – the revolver or the transactor. Revolvers carry an outstanding balance on their card while Transactors pay off their outstanding balance each month. CANSTAR assesses all eligible cards based on these user types spending \$60,000 and \$120,000 per year. As charge cards do not allow revolving a debt, they are assessed only under the Transactor profile.



We look at what's important for each type of business spender. For both spender types we consider, among many other things, merchant acceptability, number of cards available on the one account, GST statements, overall cost of the card, repayment options and online security.

Each spender-type has individual requirements for a card to be of value to the business. For a Revolver– it's low rates and a low annual fee. Rewards for this type of spender will be diminished because the outstanding balance is not cleared in full each month. On the other hand, Transactors can afford to ask more from their card. As they pay off the balance in full each month, interest rates are not a big concern but extra rewards that add value to their businesses are prized. When evaluating a reward card, revolvers need to factor in whether the overall cost of the card is less than the rewards received from it.

We compared 14 cards from 7 providers to find the ones that offered Outstanding Value.

## AND THE FIVE-STAR CARDS ARE ...

### Transactors

- ANZ Bank – Business CashBack
- Kiwibank – Business MasterCard



### Revolvers

- ANZ Bank – Visa Business Low Rate
- Bank of New Zealand – Business First Visa Lite



**Business Credit Cards**



# METHODOLOGY

## BUSINESS CREDIT CARDS

### What are the CANSTAR *Business Credit Cards – New Zealand Star Ratings*?

CANSTAR *Business Credit Cards – New Zealand Star Ratings* involve a sophisticated rating methodology, unique to CANSTAR, which compares business credit cards in New Zealand. CANSTAR Star Ratings provide a transparent analysis of a shortlist of business credit cards, enabling consumers to narrow their search to products that have been independently assessed and ranked.

The results are reflected in a consumer-friendly five-star concept, with five stars signifying outstanding value offered by the product.

Rising stars are those products that would be rated five stars but have not been in the market for six months. Rising star products will be formally rated in the next period once more historical data is available.

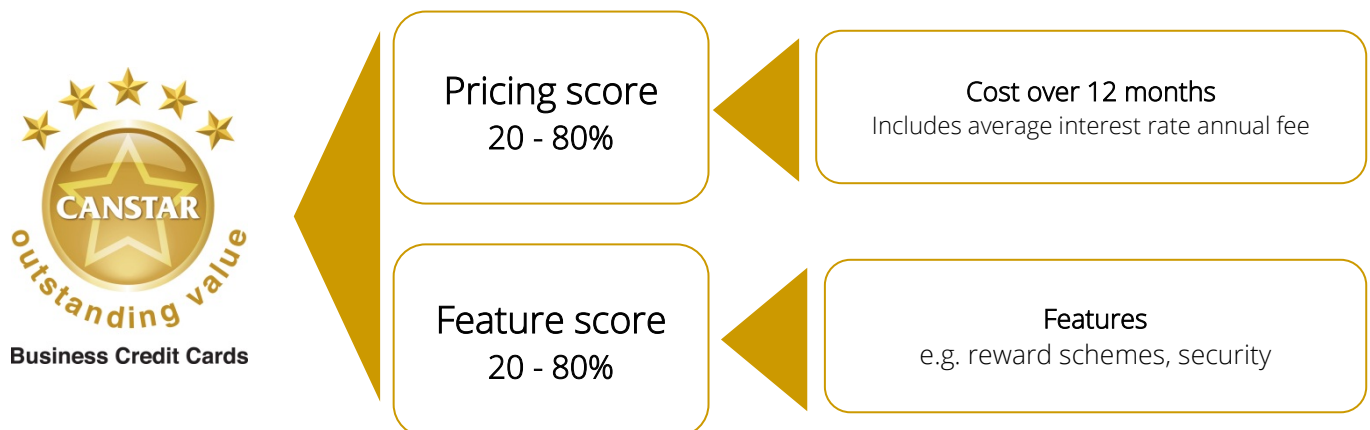
### What types of products are evaluated?

Profile name	Description
Revolver	For businesses that revolve a debt from month to month, excludes charge cards and requires six months of historical interest rates to be rated.
Transactor	For businesses that pay off their credit card balance in full each month. Includes charge cards.

### Business Credit Card Star Ratings

To arrive at the total score, CANSTAR applies a weight against the Pricing (P) and Features (F). This weight will vary for each customer behaviour profile and will reflect the relative importance of either costs or features in determining the best business credit card. This method can be summarised as:

$$\text{TOTAL SCORE ( T )} = \text{PRICING ( P )} + \text{FEATURES SCORE ( F )}$$



#### Indexed score

Product with the best pricing or features will receive a full score

Unsecured business credit and charge cards are eligible to be included in the *Business Credit Card Star Ratings*. All eligible cards are assessed against two distinct business consumer behaviour profiles (Revolver and Transactor). Revolvers carry an outstanding balance on their card while Transactors pay off their outstanding balance each month. As charge cards do not allow revolving a debt, they were only eligible to be assessed in the Transactor profile.

The star ratings consider Pricing and Features to be the two components in the card user's value equation. The contribution of each of these components to the value proposition for the Business Revolver and the Business Transactor are explained in the table below.

## Business Credit Card Star Ratings components

Profile	Pricing score	Features score
Business Revolver	80%	20%
Business Transactor	20%	80%

### Pricing score

The pricing score for the Revolver profile is based on the total annual cost of revolving a \$5000 debt including fees and interest. Ninety per cent of the revolve amount is based on the six-month average purchase rate, with the remaining 10% based on the cash advance rate.

The pricing score for the Transactor profile is based on the annual cost of keeping the card active. Cards that do not charge an ongoing fee automatically receive the maximum pricing score while other cards are awarded a score based on their annualised fees.

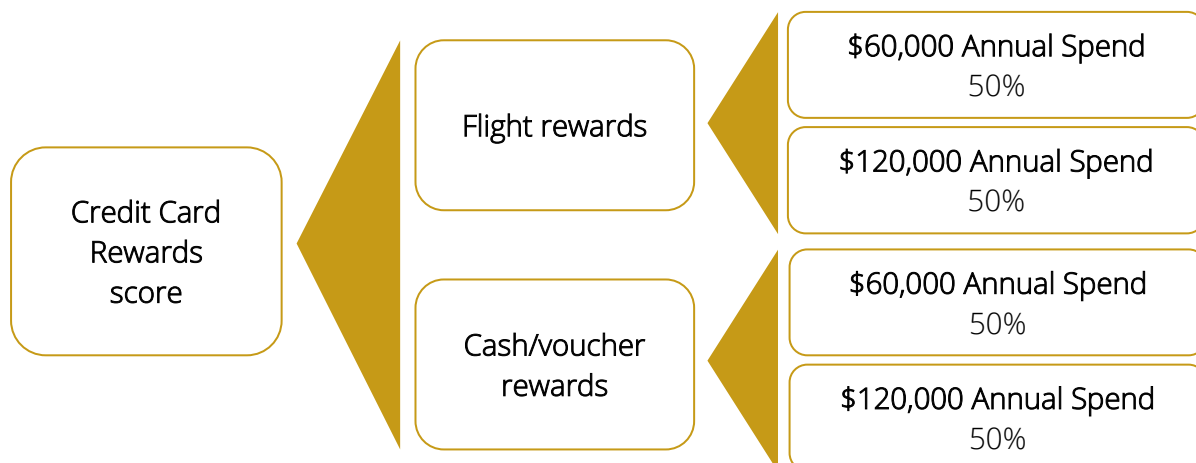
### Feature score

More than 100 individual features of each card are scored for positive traits and awarded a Feature score. The factors assessed include: liability insurance, GST reporting, additional fees and charges, and rewards programs. The table below highlights the contribution of the various features to the business credit/charge card Feature score.

Feature Category	Revolver (20%)	Transactor (80%)	Examples of data captured
<b>Credit Terms and Conditions</b>	<b>40%</b>	<b>40%</b>	
Business Specific Conditions	45%	60%	Max number of cards, GST Statement, Limits.
Card Terms	15%	15%	Min repayments, balance transfers, introductory rates.
Additional Fees and Charges	25%	10%	Overdraft fees , late fees, etc.
Interest Charging	15%	15%	How interest is charged e.g. statement date, purchase date, when payment is late.
<b>Accessibility and Security</b>	<b>25%</b>	<b>20%</b>	
Repayment Capabilities	40%	30%	Branch, ATM, Billpay, Cheque, Internet.
Online Transaction Security	30%	30%	Chip, online shopping password, fraud protection.
Merchant Acceptability	30%	40%	Number of accepting merchants.
<b>Benefits and Options</b>	<b>35%</b>	<b>40%</b>	
Rewards	50%	70%	Calculated score from rewards methodology.
Premium Card Facilities	50%	30%	Insurances (Loss, theft, price protection, travel, warranty), concierge, special events.



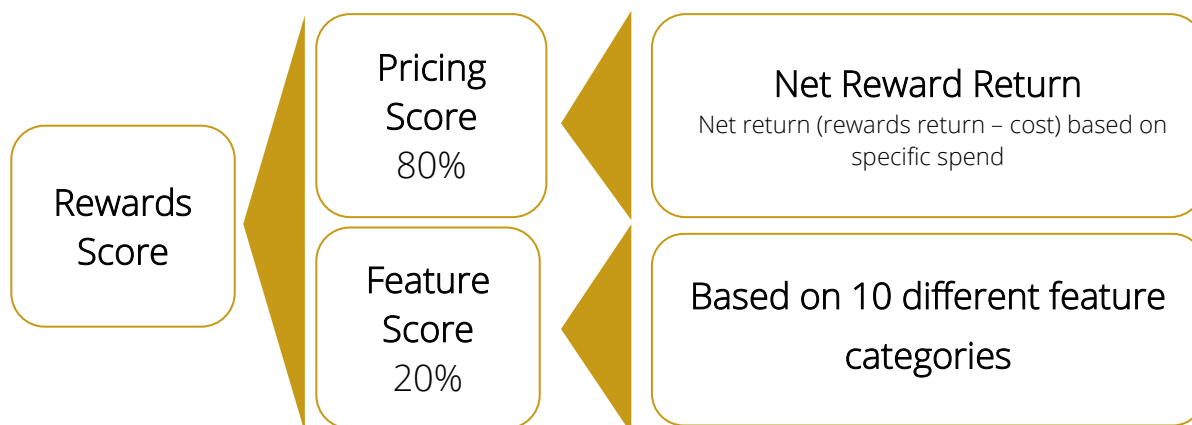
The rewards score in the Transactor profile and Revolver profile is based on a product's best score from the following methodology:



Where companion card programs exist that combine and American Express with a MasterCard or Visa, the best performing rewards product of the two is used in calculations.

## Flight and Cash/Voucher Rewards Score

Flight rewards and Cash/Voucher reward programs scores are calculated in the same way, with the majority of the total score coming from the net benefit to the cardholder.



## Cash Rewards – Net Reward Return

The net reward return is derived by calculating the average reward return for shopping vouchers and cash, aggregating these returns and subtracting the annual fee.

## Flight Rewards – Net Reward Return

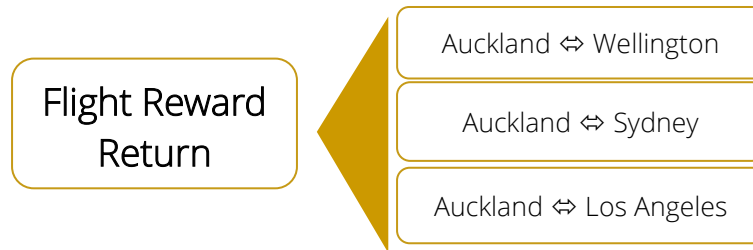
Only programs that include at least one flight redemption partner are considered. Where a program includes multiple flight partners, then all will be considered.

The Flight Reward Return is calculated firstly by finding the monetary value of a rewards point in the various programs (when redeemed for flights). This calculation considers that some programs charge taxes and fuel surcharges in addition to an amount of points required for a reward booking.

The benchmark used for assigning a monetary value to a reward flight on a particular route is the average market value of the flight on the various airlines considered. The quotes obtained from the different airlines must be like-for-like (for example meal and baggage inclusions must be comparable; no backtracking<sup>1</sup>).

<sup>1</sup> For example, an airline would be excluded from price quoting if a flight from New Zealand to North America required a stopover in Australia.

For each product, the airline with the best point value (taking into account conversion rates) is found for each of the three routes. These are then averaged to obtain the monetary value of a point in each rewards program.



### Free Flights

If a product offers a free return flight (without onerous restrictions on its redemption) then the average market value of this flight is awarded in the Net Rewards Return calculation. This recognises that to a frequent traveller a free flight is a benefit worth its equivalent value in cash.

### Feature Score

Feature Category	Cash	Frequent Flyer
Bonus Points Partners	15%	-
Points Capping Information	20%	5%
Instant Rewards Information	20%	10%
Earning Policies	30%	20%
Account Status Information	10%	5%
Points Expiration	5%	5%
Flight Rewards Conditions	-	20%
Travel Rewards	-	15%
Customer Service Information	-	10%
Top-up Policies	-	10%

### Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

### How often are products reviewed for Star Ratings purposes?

The *Business Credit Card Star Ratings* is recalculated every 12 months based on the latest rates and features offered by each institution. CANSTAR also monitors rate changes on an ongoing basis.

## Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at [www.canstar.co.nz](http://www.canstar.co.nz) if you would like to view the latest star ratings reports of interest.



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- Credit cards
- Credit card rewards
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- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts

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## Revolver

Company	Product	Rate*	Free Days	Rewards Program Available	Cash Rewards Return**	Flight Rewards Return**	Employee Fraud Protection	GST Statement Available	Annual Fee (\$)*		Credit Limit (\$)	
									Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum
★★★★★ "outstanding value"												
ANZ Bank	Visa Business Low Rate	15.20%	55	✗	-	-	✓	✗	70	-	500	No max
Bank of New Zealand	Business First Visa Lite	14.95%	55	✗	-	-	✓	✗	60	-	500	No max
★★★★												
ASB Bank	Visa Business Rewards	19.95%	50	✓	1.00%	-	✗	✗	100	-	1000	No max
Bank of New Zealand	Business First Visa Control	18.95%	40	✗	-	-	✗	✗	25	-	500	No max
Kiwibank	Business MasterCard	16.90%	55	✗	-	-	✗	✗	25	-	10000	No max
★★★												
ANZ Bank	Visa Business CashBack	20.95%	55	✓	1.00%	-	✓	✗	95	-	500	No max
ANZ Bank	Visa Business Low Fee	20.95%	55	✗	-	-	✓	✗	40	-	500	No max
ASB Bank	Visa Business	20.95%	50	✗	-	-	✗	✓	30	-	1000	No max
Westpac	BusinessPLUS MasterCard	20.95%	55	✓	0.66%	-	✗	✗	100	-	500	No max



# Business Cards

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. This is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

## Transactor

Company	Product	Rate*	Free Days	Rewards Program Available	Cash Rewards Return**	Flight Rewards Return**	Employee Fraud Protection	GST Statement Available	Annual Fee (\$)*		Credit Limit (\$)	
									Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum
★★★★★ "outstanding value"												
ANZ Bank	Visa Business CashBack	20.95%	55	✓	1.00%	-	✓	✗	95	-	500	No max
Kiwibank	Business MasterCard	16.90%	55	✗	-	-	✗	✗	25	-	10000	No max
★★★★★												
ASB Bank	Visa Business Rewards	19.95%	50	✓	1.00%	-	✗	✗	100	-	1000	No max
Bank of New Zealand	Business First Visa Control	18.95%	40	✗	-	-	✗	✗	25	-	500	No max
Westpac	Airpoints Business MasterCard	20.95%	44	✓	-	1.33%	✗	✗	145	-	500	No max
★★★												
American Express	Business Card	Charge card	50	✓	0.45%	0.75%	✗	✓	55	-	N/A	N/A
American Express	Business Gold Card	Charge card	50	✓	0.45%	0.75%	✗	✓	95	-	N/A	N/A
ANZ Bank	Visa Business Low Fee	20.95%	55	✗	-	-	✓	✗	40	-	500	No max
ANZ Bank	Visa Business Low Rate	15.20%	55	✗	-	-	✓	✗	70	-	500	No max
ASB Bank	Visa Business	20.95%	50	✗	-	-	✗	✓	30	-	1000	No max
Bank of New Zealand	Business First Visa Lite	14.95%	55	✗	-	-	✓	✗	60	-	500	No max
Diners Club	Business Card	Charge card	50	✓	0.54%	-	✗	✗	43	-	No min	No max
Westpac	Business MasterCard	Charge card	53	✗	-	-	✓	✗	50	-	500	No max
Westpac	BusinessPLUS MasterCard	20.95%	55	✓	0.66%	-	✗	✗	100	-	500	No max