



**METHODOLOGY**  
**BUSINESS CREDIT CARDS**

# WHAT ARE THE CANSTAR BUSINESS CREDIT CARD STAR RATINGS?

CANSTAR's *Business Credit Card Star Ratings* use a sophisticated rating methodology, unique to CANSTAR, which compares the dominant credit card products in New Zealand and presents the results in a simple, user-friendly format.

Our rating methodology is transparent and extensive. The methodology compares all types of business unsecured credit and charge cards in Australia and accounts for an array of characteristics such as:

- Fees/Interest Rates
- Premium Features
- Number of Free Days
- Reward/Loyalty Programs
- Standard Features
- No Frills

The results are reflected in a consumer-friendly five-star concept, with five stars denoting a product offering outstanding value.



# METHODOLOGY– PROFILES

## Low Rate

For businesses seeking a credit card with a low interest rate and flexible repayment conditions.



### Pricing Score

- Ongoing Cost of a revolving debt of \$10,000 six months out of the year.
- Includes annual fee waivers where applicable

### Feature Score

- Emphasis on additional fees and charges.
- Includes business specific conditions, features and limits.

### Eligibility

- Unsecured credit cards (excludes charge cards).
- Includes both business-liability and personal-liability cards
- A credit limit of \$10,000 must be available on application

# METHODOLOGY– PROFILES

## Low Fee

For businesses seeking a low cost credit card for their everyday business spending.



### Pricing Score

- Ongoing Cost of a revolving debt of \$5,000 for one month out of the year.
- Includes annual fee waivers where applicable

### Feature Score

- Emphasis on additional fees and charges.
- Includes business specific conditions, features and limits.

### Eligibility

- Unsecured credit cards (excludes charge cards).
- Includes both business-liability and personal-liability cards
- A credit limit of \$10,000 must be available on application

# METHODOLOGY– PROFILES

## Rewards

For businesses seeking a credit or charge card that gives them the optimal return on their spending.



### Pricing Score

- Considers either the products performance in cash or flight rewards based on the two annual spend limits.
- Includes Annual Fee (if applicable).
- Net benefit over 12 months calculated after ongoing fees.

### Feature Score

- Terms, conditions and features of the credit card.
- Choices and conditions of the rewards program.
- Includes business specific conditions, features and limits.

### Eligibility

- The card must offer a rewards program that provides direct access to cash-back, gift cards, or flight rewards.

# OVERALL METHODOLOGY



**Pricing Score**  
60-70%

**Net cost over 12 months**  
Annual fees and interest charges on revolving debt (using six-month average interest rate)

**Net reward return**  
Flight or cash rewards return measured at different levels of annual spending, after fees.

or

**Feature Score**  
30-40%

**Reward Features**  
Program conditions and redemption options.

**Credit Card Features**  
Including business-specific features.



# METHODOLOGY

## OVERALL WEIGHTS

Profile	Pricing Weight	Reward Return	Charge Cards Included	Revolving Interest Scenario	Feature Weight
Low Rate	70%	✘	✘	✔	30%
Low Fee	60%	✘	✘	✔	40%
Rewards	70%	✔	✔	✘	30%

✔ Included   ✘ Not Included   ○ Partially Included



# METHODOLOGY – PRICING SCORE

Profile	Number of additional cardholders	Reward Return	Charge Cards Included	Annual Purchases	Revolving Debt		
					Amount	Period (months)	Six-month average rate used
Low Rate	1	✗	✗	\$20,000	\$10,000	6	✓
Low Fee	1	✗	✗	\$20,000	\$5,000	1	✓
Rewards	1	✓	✓	\$24,000 \$60,000 \$120,000	-	-	-

✓ Included    ✗ Not Included

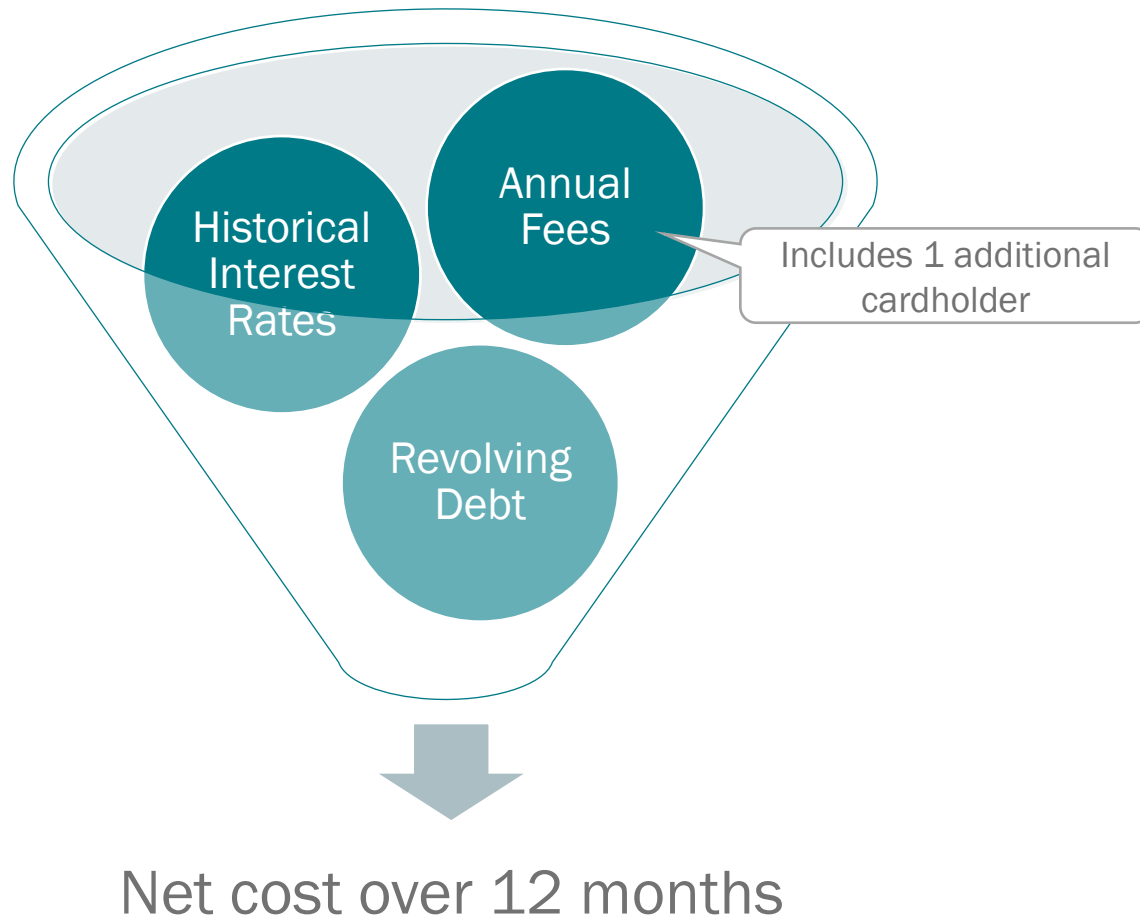
Annual Credit Card Spending	Weight
\$24,000	40%
\$60,000	45%
\$120,000	15%





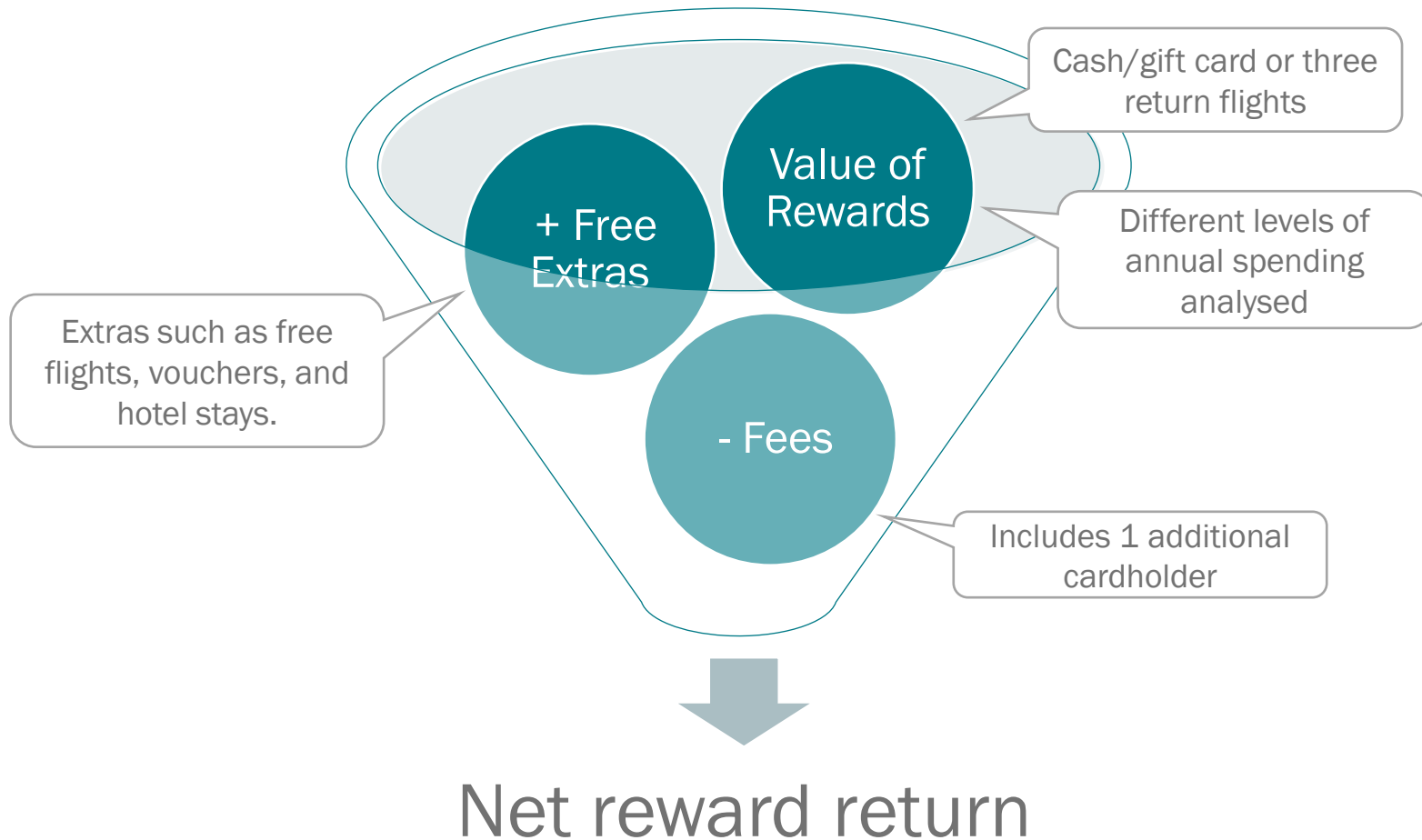
## METHODOLOGY- LOW RATE & LOW FEE PRICING SCORE

Products are scored based upon the net cost to the cardholder over 12 months with the lowest cost product receiving the top pricing score.



# METHODOLOGY– REWARDS PRICING SCORE

Products are scored based upon the net benefit to the cardholder over 12 months with the best performing product receiving the top score.



# METHODOLOGY– PRICING SCORE

## Annual Fees

- Annual fee waivers included depending on spending behaviour profile.
- Includes the fee incurred for having one additional cardholder.

## Interest Charges on Revolving Debt

- Six-month average historical interest rate

## Reward Return

- Reward return based on annual spend amount
- Monthly and annual caps are considered as well as tiered earning structures
- All airline transfer rates are considered where there are multiple options
- Reward redemption rates used are for cashback or gift card.

## Free Extras

Free extras are considered for inclusion where their value is measurable in dollar terms and where relevant to the consumer profile.

- Free flight or travel voucher considered as a free extra.
- Free extras must be ongoing (not sign-up bonuses).



# METHODOLOGY

## CASH REWARD RETURN

Points redeemed for cashback or shopping vouchers.

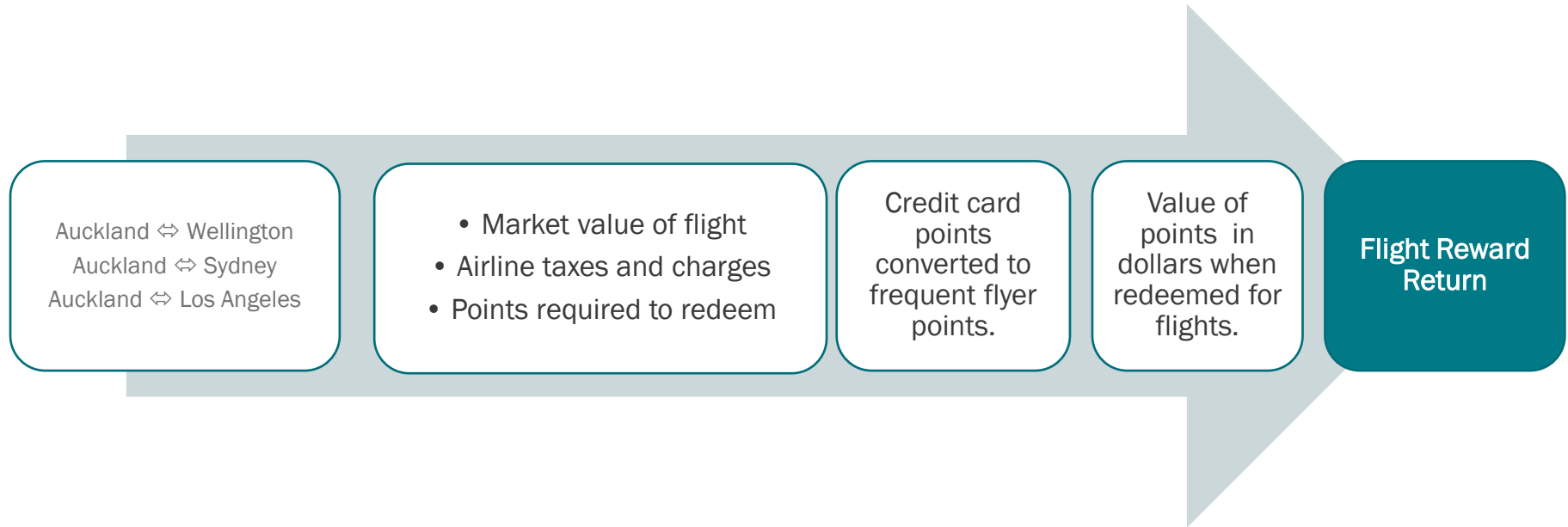
Redemptions are averaged over the available rewards types.

**Cash  
Reward  
Return**



# METHODOLOGY

## FLIGHT REWARD RETURN



- If more than one airline partner is available, the best airline redemption option is considered for each route.
- Quotes are undertaken for flights six months in advance, out of peak travel periods.
- Routes considered are to Wellington, Sydney and Los Angeles, return from Auckland.



# METHODOLOGY

## SAMPLE REWARDS CALCULATION

- 1 rewards point per \$1 spent
- 150 points can be redeemed for \$1 in cashback
- 1 rewards point converts to 1 frequent flyer point
- \$24,000 spent in one year on the credit or charge card

### GENERAL REWARDS

$$\text{Cash Reward Return} = \frac{24000 \text{ points}}{150 \text{ points per } \$1} = \$160$$

### FLIGHT REWARDS

$$\text{Flight Reward Return} = \frac{\$160 \text{ return flight} - \$40 \text{ taxes}}{16,000 \text{ FF points to redeem}} \times 24,000 \text{ points earned} = \$180$$



# METHODOLOGY – FEATURE SCORE

Each card feature is allocated points. Points are awarded for positive traits such as low fees or greater flexibility. The total features score for each category of information (e.g. repayment capabilities) is ranked and weighted with each category contributing to the overall Feature Score.

Price and Features are weighted differently for each spending profile. This is done in recognition of the relative importance of the different product components to each profile.

The Price plus Feature scores are indexed and totalled to provide the Total Score. Together they form the basis of CANSTAR's Business *Credit Card Star Ratings*.



# METHODOLOGY – FEATURE SCORE

Feature Category	Low Rate	Low Fee	Rewards	Examples of data captured
<b>Credit Terms and Conditions</b>	<b>55%</b>	<b>40%</b>	<b>35%</b>	
Business Specific Conditions	35%	35%	55%	Max number of cards, GST Statement, Limits
Card Terms	25%	25%	15%	Min repayments, balance transfers, introductory rates
Additional Fees and Charges	25%	25%	15%	Overdrawn, late fees, etc.
Interest Charging	15%	15%	15%	Grace period, date interest is calculated from
<b>Accessibility and Security</b>	<b>30%</b>	<b>30%</b>	<b>25%</b>	
Repayment Capabilities	40%	40%	40%	Branch, ATM, BPAY, Cheque, Internet
Online Transaction Security	30%	30%	30%	Chip, online shopping password, fraud protection
Merchant Acceptability	30%	30%	30%	Number of merchants card is accepted at.
<b>Benefits and Options</b>	<b>10%</b>	<b>15%</b>	<b>30%</b>	
Rewards	-	45%	45%	Programme choices and rewards conditions
Premium Card Facilities	100%	55%	55%	Insurances (Loss, theft, price protection, travel, warranty), concierge, special events.
<b>Interest Free Days</b>	<b>5%</b>	<b>15%</b>	<b>10%</b>	<b>Number of interest free days.</b>





# METHODOLOGY

## REWARDS CHOICES AND CONDITIONS

Feature Category	Cash	Frequent Flyer
<b>Rewards Choices</b>	<b>80%</b>	<b>40%</b>
Shopping Rewards	25%	-
Frequent Flyer Rewards	10%	50%
Merchandise Rewards	20%	-
Travel/Accommodation Rewards	10%	50%
Point For Cash / Credit	15%	-
Entertainment Rewards	5%	-
Food & Beverage Rewards	5%	-
Lifestyle Rewards	5%	-
Additional Rewards	5%	-
<b>Program Conditions</b>	<b>20%</b>	<b>60%</b>
Earning Policies	20%	40%
Bonus Points Partner Information	10%	-
Points Capping Information	10%	-
Customer Service Information	10%	15%
Reward Program Fees	10%	-
Earning Policy Flexibility	10%	-
Account Status Information	10%	15%
Top-Up Policies	10%	15%
Expiration Policies	10%	15%



# HOW ARE THE STARS AWARDED?

The total score received for each profile ranks the products. The stars are then awarded based on the distribution of the scores according to the following guidelines. Only the products that obtain a score in the top 10% of the of the score distribution receive a five-star rating

The results are reflected in a consumer-friendly CANSTAR star ratings concept, with five stars denoting outstanding value.



# HOW OFTEN ARE BUSINESS CREDIT CARDS RE-RATED?

All ratings are fully recalculated every twelve months based on the latest features offered by each institution. CANSTAR also monitors rate changes on an ongoing basis.

## DOES CANSTAR RATE OTHER PRODUCT AREAS?

CANSTAR also researches, compares and rates the suite of banking 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.

- Business deposits
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts
- Term deposits



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