

# BUSINESS DEPOSIT ACCOUNTS STAR RATINGS

## IN THIS REPORT:

CANSTAR research 18 business deposit accounts, across 8 financial institutions



## THERE IS MONEY TO BE SAVED BY SMALL BUSINESS OWNERS.

With business confidence continuing to remain subdued and business owners looking to make savings where possible, setting aside the time to review their transaction account options could prove to be a good return on investment. With more and more business banking being done online, owners could be paying fees for account features they no longer need.

In the area of transaction accounts particularly, the potential savings are between \$206 per annum and \$243 per annum depending on the transaction profile of the business.

As part of our ratings we have calculated the minimum, maximum and average monthly transaction fees that business owners could be paying across surveyed transaction account products, depending on their choice of account:

Profile Name	Description
 <b>High Transactor</b>	<i>Business customers who require 120 or more transactions per month</i> Total monthly cost: <ul style="list-style-type: none"> <li>• Min \$ 5.00</li> <li>• Max \$25.26</li> <li>• Av \$16.71</li> </ul>
 <b>Low Transactor</b>	<i>Business customers who require around 30 transactions per month</i> Total monthly cost: <ul style="list-style-type: none"> <li>• Min \$ 2.83</li> <li>• Max \$ 20.00</li> <li>• Av \$ 9.19</li> </ul>

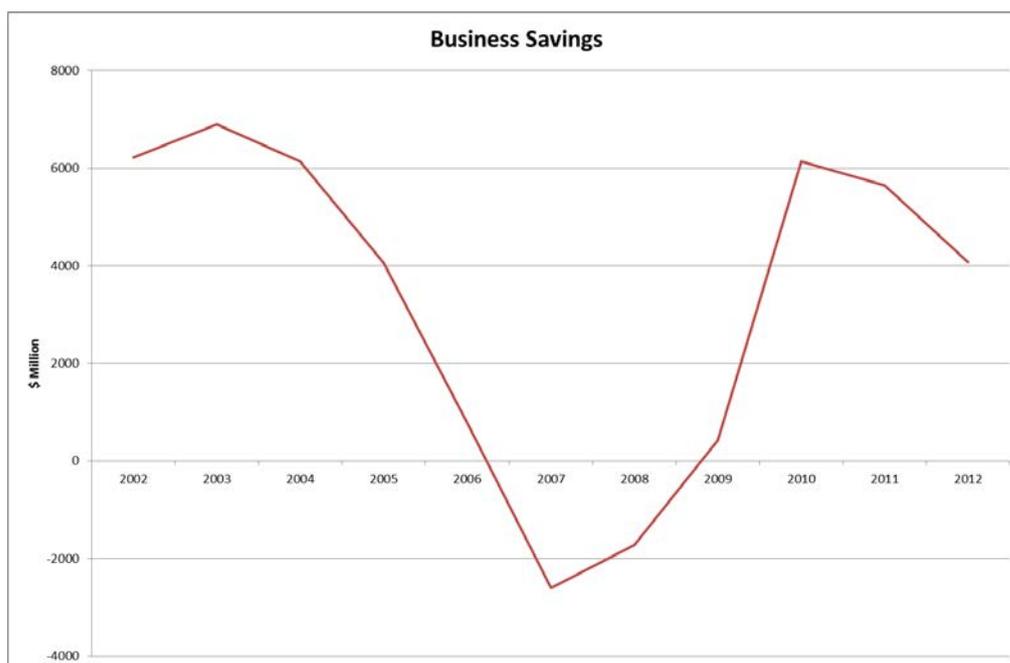
## FIND A GOOD RATE ON CASH AS WELL.

Small business is also urged to look at the other side of their ledger. According to figures from Treasury, the rate of business savings in New Zealand experienced a gradual decline in 2005, followed by a sharper decline in 2006. The rate of business savings became negative in 2007 and 2008 before recovering in 2009 and experiencing sharp growth in 2010. The dollar value of business savings has not yet reached pre-GFC levels, but at an estimated \$5.2 billion in 2012 certainly remains in positive territory (see chart, following page).

In terms of the cash component of these savings, it is important for business owners to optimize their return. Currently the spread between the official interest rate of 2.50% and the potential return of funds represents a healthy margin.

Year	Savings \$million
2003	\$6,901
2004	\$6,132
2005	\$4,059
2006	\$763
2007	-\$2,596
2008	-\$1,722
2009	\$418
2010	\$6,134
2011	\$5,648
2012	\$4,070

Source: [www.treasury.govt.nz](http://www.treasury.govt.nz)



Source: The New Zealand Treasury. 'Measuring savings rates in New Zealand: An Update' – February 2013.

## TRANSACTION ACCOUNTS: HOW TO CHOOSE

Small business owners are usually pressed for time. So before you start shopping around for a new transaction account, here are five questions to ask yourself:

### 1. **What is your volume of monthly transactions?**

Depending on your stage in the business cycle, your volume of monthly transactions may have increased or decreased significantly since you opened your existing accounts. The features and costs of transaction accounts are often targeted towards either low-volume transactors or high-volume transactors so review the past six months of business operation to determine your average monthly transaction volume.

### 2. **What mix of transactions do you make?**

Analysing the mix of transactions that your business commonly uses - the mix of cheque, over-the-counter, EFTPOS or online - will help you to target the right type of accounts for your needs.

### 3. **What fees are charged on the type of transactions you usually make?**

Some of the common fees that may be charged on your business transaction account include:

- Account maintenance fee
- Cheque or branch deposit/withdrawal fees
- Electronic transaction fee

Research and understand your account, your fee-free thresholds and how fees are charged once these thresholds have been exhausted.

### 4. **Can you change your mix of transactions?**

More and more business banking is being done online and with many accounts now offering electronic transactions at low cost it's a great way to save money! So consider what additional transactions you could be doing online and your general transaction behavior.

### 5. **How do others transact with you?**

Consider streamlining your customer payment options to enable you to choose a simpler – and cheaper – transaction account.



## SAVINGS ACCOUNTS: HOW TO CHOOSE

Shopping around for the best cash rate is automatic for savvy consumers and it's something that cashed-up small businesses should be doing as well. Here are some questions to ask yourself:

1. **What fees are you paying?**

The higher the level of fees you are paying on a savings account, the higher the level of interest you must earn to offset those fees. Healthy competition means that there are a selection of free-free online saver accounts and low-fee transaction accounts available so check out your options. Fee-free may not include extras such as ATM or cheque access, however the cost of including these options on a savings account may well outweigh the benefits.

2. **Are you sweeping often?**

Sweeping excess funds from your transaction account to your savings account on a regular basis will help to maximise your return. Interest – if any - paid on transaction accounts is negligible, so shifting funds to a savings account as soon as possible can increase the amount of interest your funds earn. A sweep facility could be of assistance as they are designed to perform this automatically.

3. **Have you reviewed your options?**

It is worth shopping around for a good rate on your at-call savings account. Currently on our database the minimum interest rate on a business online saver account is 2.60% and the maximum is 4.25% - a significant difference.

4. **Have you read the fine print?**

In particular, be aware that some savings accounts do not pay interest on the entire balance. Stepped or tiered interest, where the interest rate increases as the balance grows or varying interest rates are paid on each level of savings, are common.



If your business has excess money sitting in your transaction account then get it working today.

## BUSINESS DEPOSIT ACCOUNTS

Each year CANSTAR undertakes a comprehensive research exercise to identify the business deposit accounts that we believe offer outstanding value to small business owners. In this report we research & rate:

9 Transaction accounts

9 Online saver accounts

Overall we assessed 18 business deposit accounts, encompassing products offered by 8 institutions, across two user profiles. Each category is assessed against multiple criteria encompassing both pricing and features, with weightings varied depending on the needs of particular user groups. CANSTAR's *business deposit account star ratings* report enables business owners to quickly and easily compare accounts.

This year, the following organisations received a five-star outstanding value rating for one or more of their business deposit products. Please see our results summary for specific product details.



## HOW WE UNDERTOOK THIS COMPARISON

If you would like to understand how we compared business deposit accounts to arrive at our ratings, please read our Methodology document which appears after the results.

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# Business Deposit Account Star Ratings

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.

All rates current at August 13th 2013, Bonus/Promotional rates are included

## Business Low Transactor

Company	Product	Account Keeping Fees, (\$)	Min opening balance	Phone banking	ATM Facility	Direct Credit	Sweep Facility	Billpay	Interest rate (%) \$5,000
<b>★★★★★ "outstanding value"</b>									
Bank of New Zealand	MyMoney for Business acco	5.00m	No min	✓	✓	✓	✓	✓	0.00%
Kiwibank	Business Edge Cheque	Nil	No min	✓	✓	✓	✓	✓	0.00%
<b>★★★★</b>									
ANZ Bank	Business Current Account P	4.00m	No min	✓	✓	✓	✗	✓	0.00%
Westpac	Business Transact P A Y G	6.00m	No min	✓	✓	✓	✗	✓	0.00%
<b>★★★</b>									
ANZ Bank	Business Current Account S	10.00m	No min	✓	✓	✓	✗	✓	0.00%
ASB Bank	Business Cheque	3.00m	No min	✓	✓	✓	✗	✗	0.00%
ASB Bank	Business Focus	7.50m	No min	✓	✓	✓	✗	✓	0.00%
Westpac	Business Transact Tier 1	10.00m	No min	✓	✓	✓	✗	✓	0.00%
<b>★★</b>									
Westpac	Business Transact Tier 2	20.00m	No min	✓	✓	✓	✗	✓	0.00%



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## Business High Transactor

Company	Product	Account Keeping Fees, (\$)	Min opening balance	Phone banking	ATM Facility	Direct Credit	Sweep Facility	Billpay	Interest rate \$5,000
<b>★★★★★ "outstanding value"</b>									
Bank of New Zealand	MyMoney for Business acco	5.00m	No min	✓	✓	✓	✓	✓	0.00%
Westpac	Business Transact Tier 1	10.00m	No min	✓	✓	✓	✗	✓	0.00%
<b>★★★★★</b>									
ASB Bank	Business Focus	7.50m	No min	✓	✓	✓	✗	✓	0.00%
Kiwibank	Business Edge Cheque	Nil	No min	✓	✓	✓	✓	✓	0.00%
<b>★★★</b>									
ANZ Bank	Business Current Account S	10.00m	No min	✓	✓	✓	✗	✓	0.00%
Westpac	Business Transact P A Y G	6.00m	No min	✓	✓	✓	✗	✓	0.00%
Westpac	Business Transact Tier 2	20.00m	No min	✓	✓	✓	✗	✓	0.00%
<b>★★</b>									
ANZ Bank	Business Current Account P	4.00m	No min	✓	✓	✓	✗	✓	0.00%
ASB Bank	Business Cheque	3.00m	No min	✓	✓	✓	✗	✗	0.00%



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## Business Online Saver

Company	Product	Account Keeping Fees, (\$)	Minimum Upfront Deposit	Interest		Branch Access	ATM Facility	Account Balance Required to Waive Base Fee, (\$)	Interest rate \$70,000
				Calculated	Paid				
<b>★★★★★ "outstanding value"</b>									
ASB Bank	Business Saver	Nil	No min	Daily	Monthly	✓	✓	N/A	2.75%
Heartland Bank	Business Call Account	Nil	No min	Daily	Monthly	✗	✗	N/A	4.25%
<b>★★★★</b>									
ANZ Bank	Business Premium Call Acco	Nil	No min	Daily	Monthly	✓	✗	N/A	2.60%
Bank of New Zealand	Business First OnCall accou	Nil	No min	Daily	Monthly	✓	✓	N/A	2.80%
RaboDirect	Business Online Call Accoun	Nil	1.00	Daily	Monthly	✓	✗	N/A	3.00%
<b>★★★</b>									
Kiwibank	Business Online Call	Nil	No min	Daily	Monthly	✓	✗	N/A	3.15%
Westpac	Business Online Saver	Nil	No min	Daily	Monthly	✗	✓	N/A	2.60%
<b>★★</b>									
ASB Bank	Business Call	Nil	5000.00	Daily	Monthly	✓	✓	N/A	0.25%
Kiwibank	Business Performer	Nil	No min	Daily	Monthly	✓	✗	N/A	1.50%

## BUSINESS DEPOSIT STAR RATINGS

### What are the CANSTAR business deposit star ratings?

CANSTAR business deposit star ratings involve a sophisticated rating methodology, unique to CANSTAR that compares business deposits in New Zealand. CANSTAR star ratings provide a transparent analysis of business deposit accounts, enabling consumers to narrow their search to products that have been independently assessed and ranked.

The results are reflected in a consumer-friendly 5-star concept, with 5 stars signifying outstanding value offered by the product.

Rising stars are those products that would be rated 5-star or higher but have not been in the market for over six months. Rising star products will be formally rated in the next period once more historical data is available.

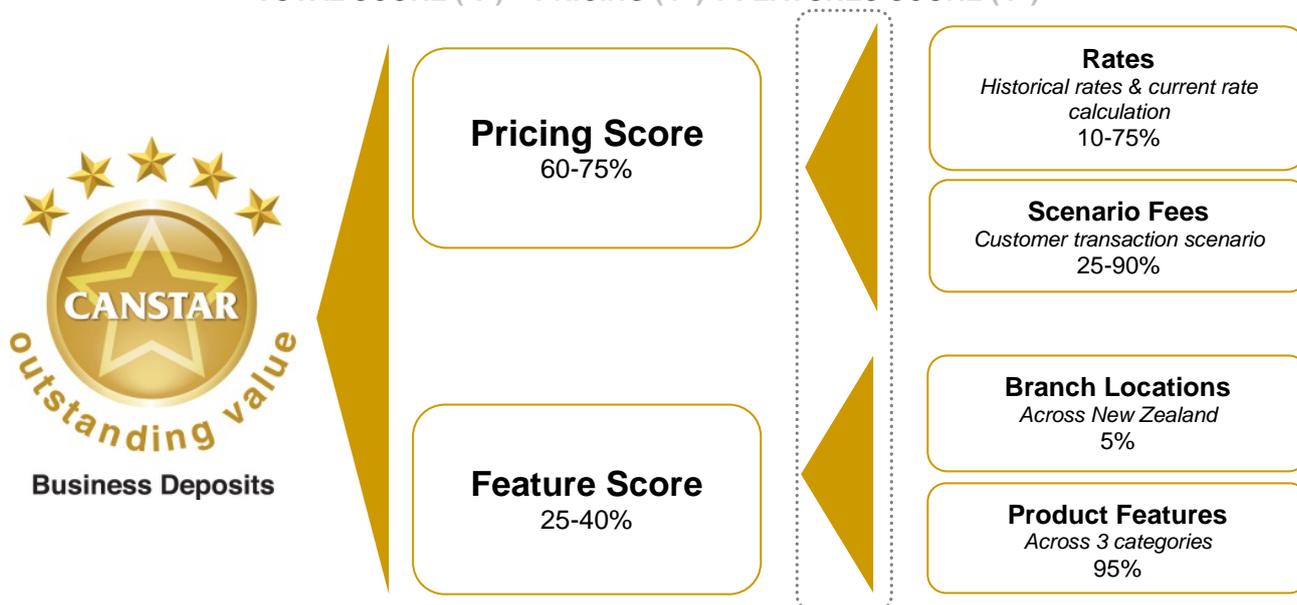
### What types of products are evaluated in CANSTAR business deposit star ratings?

Profile Name	Description
<b>Low Transactor</b>	<i>For business customers who complete on average 20 transactions per month</i>
<b>High Transactor</b>	<i>For business customers who complete on average 150 or more transactions per month</i>
<b>Online Saver</b>	<i>For business customers looking for a high interest savings account. To be eligible the account must offer an interest rate of higher than 0% at \$20,000</i>

### Business deposit account star ratings

To arrive at the total score CANSTAR applies a weight (w) against the P and F. This weight will vary for each profile and will reflect the relative importance of either costs or features in determining the best business deposit account. 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

All Transaction Accounts and Internet Accounts specifically marketed to small businesses are eligible to be included in the business deposit account star ratings.

Profile	Pricing Score	Feature Score
Low Transactor	60%	40%
High Transactor	60%	40%
Online Saver	75%	25%

## Pricing Score

The pricing score of the business deposits is broken down into two components; Rates and Fees. The weighting of each component to the customer Profile differs and the weightings we apply are displayed in the table below.

PROFILE	SCENARIO	RATE
Low Transactor	90%	10%
High Transactor	90%	10%
Online Saver*	20%	80%

\*Online Saver requires and interest rate of at least 1% at \$50k

## Rate

Interest paid on business savings account is an important component of the business saver profiles. The average interest rate paid across three nominated account balances is used to establish the account that pays the highest overall interest. The product found to pay the highest average balance based on the weightings in table below receives the highest rate score.

### Historical Rate Balances

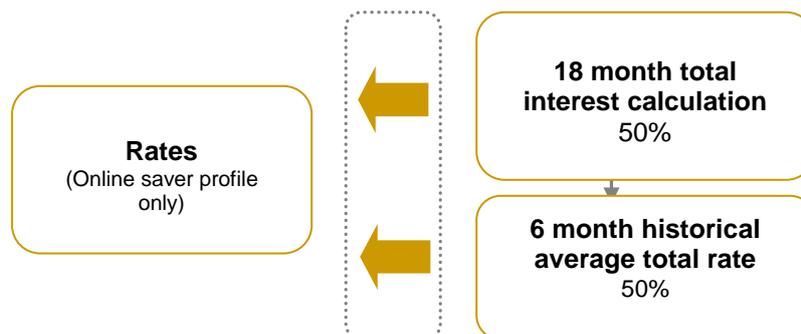
BALANCES	Low Transactor	High Transactor	Online Saver
BALANCE 1	\$3,000	\$5,000	\$10,000
BALANCE 2	\$5,000	\$10,000	\$20,000
BALANCE 3	\$10,000	\$20,000	\$70,000

### Balances Weightings

The historical balances have a different level of importance to the profiles. The historical rates score is calculated using the percentages below.

BALANCES	Other Profiles
BALANCE 1	40%
BALANCE 2	40%
BALANCE 3	20%

The rates component of the pricing score is broken down into 2 components for the Online Saver profile only. The additional component is an 18 month interest calculation that includes promotional rates where applicable. Both sub-components are weighted equally for the only profile.



## Total Interest Calculation

The simple interest calculation is based on the interest earned on a \$20,000 dollar deposit over 18 months taking into account the promotional rate and length and the base interest rate.

## Fees - Transaction Scenario

The scenario analysis is conducted using CANSTAR's unique transaction calculator which prices the transaction behaviour of 500 customer scenarios. The calculation incorporates transaction fees, fee rebates and free transaction limits. The product with the lowest overall cost for the 500 customer scenarios receives the highest scenario score.

### Transaction Fee Scenarios

	Online Saver	Low Transactor	High Transactor
<b>Average minimum balance</b>	\$20,000	\$5,000	\$10,000
<b>Average Deposit per month</b>	-	\$50,000	\$100,000
<b>Average no. of transactions/ month</b>	15	20	80
<b>Internet transaction</b>	100%	30%	25%
<b>Branch cash withdrawal</b>	-	5%	5%
<b>Branch cash deposit</b>	-	5%	5%
<b>Cheque withdrawal</b>	-	5%	5%
<b>Cheque deposit</b>	-	5%	5%
<b>EFTPOS</b>	-	10%	10%
<b>ATM</b>	-	10%	5%
<b>Direct Credit</b>	-	20%	25%
<b>Direct Debit</b>	-	10%	15%

## Features

More than 100 individual features of each account is scored for positive traits and awarded a feature scores. The table highlights the contribution of the various groups of information to award the business deposit accounts a feature score.

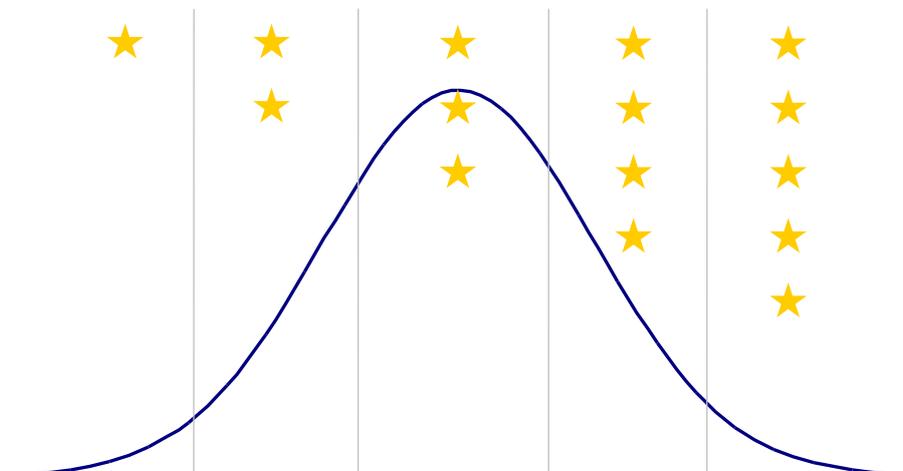
Feature Component	Transactor	Online Saver
<b>General Features</b>	<b>65%</b>	<b>30%</b>
-Reporting options: passbook statement, internet, email -Access Channels: ATM, EFTPOS, Phone, Internet, Cheque -Facilities: offset , overdraft, Sweep, Periodic payment		
<b>Specific Conditions</b>		
-Interest Details: calculations & payment freq, balance used Open/closed/min/max, entire/portion, bonus interest -minimum: opening/subsequent deposit, ongoing bal, w/d -maximum withdrawals per d/w: ATM, EFTPOS, combined	<b>20%</b>	<b>50%</b>
<b>Internet Security and Online Functionality</b>	<b>15%</b>	<b>20%</b>
-Secondary Authentication: security, higher transfer limit available with secondary authentication		

## Branch Coverage

While most banking these days is done electronically there are still important business functions that can only be solved by the presence of a branch e.g. cash deposits, product application. The total number of branches from institutions are taken into account and those with a ratio of one branch to 40,000 of population are given the top score and the remainder indexed off this mark .

## 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. As you can see, only the products that obtain a score in the top 10% of the of the score distribution receive a 5 star rating.



The results are reflected in a consumer-friendly 5-star concept, with 5 stars denoting an outstanding product.

## 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?

All ratings are fully recalculated every six months, based on the latest submissions from each institution. CANSTAR also monitors 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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