



# METHODOLOGY

## Travel Credit Cards

### What are the CANSTAR Travel Credit Card Star Ratings?

CANSTAR's *Travel Credit Card Star Ratings* use a sophisticated and unique ratings methodology that compares both cost and features across credit cards, with a particular focus on the features and fees related to overseas travel. CANSTAR star ratings represent a shortlist of credit cards, enabling consumers to narrow their search products that have been thoroughly assessed and ranked. CANSTAR's *Travel Credit Card Star Ratings* are a transparent analysis comparing a range of credit cards across the market.

Ratings range from five stars to one star. Five-star rated products have been assessed as offering outstanding value to consumers.

The title of **"Outstanding Value Travel Credit Card"** is awarded to institutions that obtain a five-star rating based on performance across judging criteria set down by CANSTAR.

### What are the profiles used for CANSTAR Travel Credit Card Star Ratings?

CANSTAR appreciates that travellers have different spending habits and therefore value different features in their cards that they take with them overseas. In recognition of these differences, the *CANSTAR Travel Credit Card Star Ratings* reflect a range of spending styles and card usage patterns.

Product Type	Profile name	Description
Credit Card	Occasional Overseas Traveller	Looking for a credit card to take with them on an overseas trip – perhaps as a once-off or only once a year.
Credit Card	Regular Overseas Traveller	Looking for a credit card to take overseas with them on a regular basis – travels at least a few times per year.

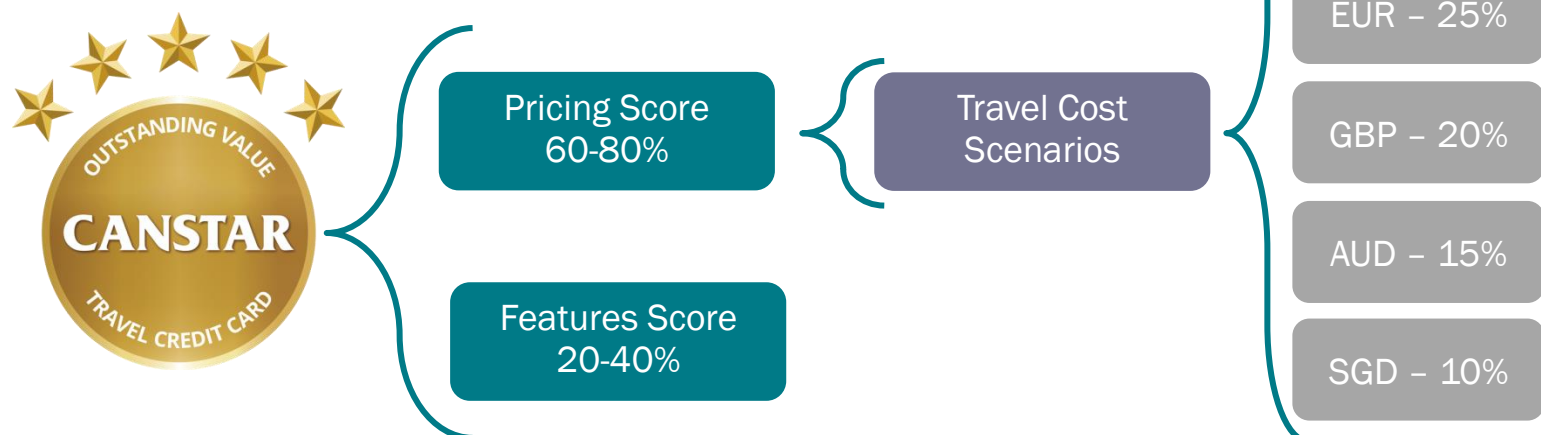
CANSTAR has adopted two different user profiles across credit cards in an attempt to cover different types of spending patterns. The star ratings methodology differs for each profile in terms of the relative importance placed on the fees and features of the products assessed. For example, the methodology recognises that a "Regular Overseas Traveller" may gain more from having a premium card that includes features such as travel insurance and airport lounge access, than someone who is looking for a credit card to take with them on a once-off overseas trip.

### How are the 'stars' calculated?

Each credit card reviewed for the *CANSTAR Travel Credit Card Star Ratings* is awarded points for its comparative Pricing and for the array of positive Features attached to the card. These features include international ATM access, airline lounge access, travel insurance, security and fees.

To arrive at the total score CANSTAR, applies a weight against a Pricing and Feature Score. This weight will vary for each profile of card usage. The weight will reflect the relative importance of either costs or features in determining the best value card for the type of overseas traveller.

$$\text{Total Score} = \text{Pricing Score} + \text{Feature Score}$$



### Weightings

Product Type	Profile	Pricing	Features
Credit Cards	Occasional Overseas Traveller	80%	20%
Credit Cards	Regular Overseas Traveller	60%	40%

### Pricing

To find the overall cost of taking a card on an overseas trip, CANSTAR has designed a scenario that includes the cost of keeping the account open (annual fees), fees for using the card overseas (currency conversion fees, ATM fees) as well as exchange rates and the cash-equivalent benefit of any reward points earned for spending on the card. Interest rates on credit cards are not considered in these ratings, as a credit card could become an extremely expensive way to pay for a holiday if it is not paid off within the interest free period. These ratings focus on the transaction costs and benefits of using a credit card overseas, rather than the cost of financing an overseas trip.

Fees for withdrawing cash from a credit card whilst overseas can be costly and users would likely encounter cash advance interest charges as soon as the withdrawal is made. In addition to this, some credit card products do not allow cash advances at all. For these reasons, CANSTAR has only compared credit cards on the cost of making purchases overseas. There are also other differences in how CANSTAR has assessed each product type within each profile – these are included in the table below.

Product Type	Profile	Account active (months)	Amount spent overseas	Total Purchase Use Overseas	Exchange rates considered	Rewards points considered
Credit Card	Occasional Traveller	12	\$5,000	100%	✓	✗
Credit Card	Regular Traveller	12	\$10,000	100%	✓	✓
Debit Card	Overseas Travel	3	\$5,000	20%	✗	✗

**Rewards:** Using CANSTAR's sophisticated Credit Card Rewards methodology, the value of rewards points earned are subtracted from the overall cost of ownership. This recognises that some credit card products provide bonus points for purchases made overseas that can partially or fully offset currency conversion fees. For credit cards with multiple rewards programs, the rewards option that leads to the best outcome is chosen.

## Travel Cost Scenarios

The **Net Travel Cost** of each card is calculated in five different currencies.

CANSTAR firstly considers how much foreign currency equivalent will be available to the cardholder for spending on their trip, after fees for owning and using the card are subtracted.

Net Amount Available to spend for each product (in foreign currency)	
Converted to foreign currency at the card scheme's exchange rate.	Total overseas spend amount of \$5,000 - \$10,000
	minus annual fees and/or account keeping fees (fee waivers are considered)
	minus cost of foreign ATM withdrawals (usually a fixed fee plus a percentage fee)
	minus cost of point-of-sale transactions (usually a percentage fee)
	plus the cash-equivalent value of any rewards points earned (in cashback, vouchers, or flights).

This is compared to a hypothetical product that has no fees, and an exchange rate equal to the best average rate observed between the three card schemes (Visa, MasterCard, and American Express) market during our survey period of four weeks. This is known as the **Benchmark Net Foreign Currency**.

The net cost of owning each card is then calculated:

$$\text{Net Travel Cost} = \text{Benchmark Net Foreign Currency} - \text{Product Net Foreign Currency}$$

Since the cheapest product may not be the same for each of the five currencies considered, we score all products for each currency and then combine these scores, applying the weights in the following tables. This recognises that some destinations, and therefore currencies, are more popular for overseas travelers.

Currency	USD	GBP	EUR	AUD	SGD
Weight	30%	20%	25%	15%	10%

## Features

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. Travel Insurance) is ranked and weighted with each category contributing to the overall Feature score.

## Weightings

The Pricing and Features are weighted differently for each spending profile, and slightly different product features are considered for both debit cards and credit cards. This is done in recognition of the relative importance of the different product components to each profile.

Feature Category	Credit Cards		Examples of data captured
	Occasional Traveller	Regular Traveller	
<b>Travel Insurance</b>	50%	50%	
Activation Policies	20%	20%	Activation policy, cert of insurance provided, etc.
Insurance Coverage*	80%	80%	Item limits, exclusions, claims process, conditions.
<b>Security</b>	10%	10%	Card security, Change pin online, block purchases.
<b>International ATM Access</b>	10%	10%	International ATM network coverage.
<b>Fees and Charges</b>	10%	10%	International Card replacement fee, over limit fees.
<b>Airport Lounge Access</b>	5%	10%	Airline Lounge Access, etc.
<b>Card Terms</b>	15%	10%	Free days, Interest Rate, Interest charging policies.

\*Travel Insurance Coverage is evaluated using CANSTAR's sophisticated Travel Insurance Star Ratings Methodology (Single traveller profile) See [www.canstar.com.au](http://www.canstar.com.au) for the full Travel Insurance methodology.

## 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 all the products reviewed for rating purposes?

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

## Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates home loans and credit cards, as well as deposit accounts. 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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- Business deposits
- Cash PIE
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts

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