



Business Credit Card Star Ratings

Methodology

2018

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 New Zealand and accounts for an array of characteristics such as:

- Fees/Interest Rates
- Number of Free Days
- Standard Features
- Premium Features
- Reward/Loyalty Programmes

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

What are the profiles used for Canstar *Business Credit Card Star Ratings*?

Canstar appreciates that business credit card users have different spending habits and therefore value different features in their credit cards. In recognition of these differences, the Canstar Credit Card Star Ratings reflects a range of spending styles and business credit card usage patterns.

Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Personal accounts are rated separately as part of the Canstar Business Credit Card Star Ratings.

Eligibility Criteria




To be eligible for a star rating in the Low Rate and Low Fee profiles, the product must have been on offer for at least six months. Products that do not have the required six-month information can only achieve a rising star. Rising stars are those products that would have received a five-star rating but have not been in the market for more than six months. Rising star products will be formally rated in the next period once more historical data is available.

What are the profiles used for Canstar *Business Credit Card Star Ratings*?

Canstar appreciates that credit card users have different spending habits and therefore value different features in their credit cards. In recognition of these differences, the Canstar Business Credit Card Star Ratings reflects a range of spending styles and credit card usage patterns.

The star ratings methodology differs for each customer segment in terms of the relative importance placed on the fees and features of the products assessed. The table below provides a description on each profile.

Canstar has adopted three different credit card user profiles in an attempt to cover the majority of card spending and payment patterns. The star ratings methodology differs for each profile in terms of the relative importance placed on the fees and features of the cards assessed. For example, the methodology recognises that interest rates will be more important to those who rarely pay off their card balance each month than they will be for those who always pay the balance owing on their card.

Profile	Description	Eligibility Requirements
	For businesses seeking a credit card with a low interest rate and flexible repayment conditions	<ul style="list-style-type: none"> • Business, unsecured credit cards • A credit limit of \$10,000 must be available on application • Includes both business-liability and personal-liability business credit cards • Six months' worth of rates required to receive a Star Rating
	For businesses seeking a credit card with low ongoing fees and who may be looking to access some premium card facilities	<ul style="list-style-type: none"> • Business, unsecured credit cards • A credit limit of \$5,000 must be available on application • Includes both business-liability and personal-liability business credit cards • Six months' worth of rates required to receive a Star Rating
	For businesses seeking a credit or charge card that gives them the optimal return on their everyday spending	<ul style="list-style-type: none"> • The card must offer a rewards programme that provides direct access to cash-back, gift cards, or a flight rewards programme

How does it work? How are the 'Stars' calculated?

Each credit card reviewed for the Business Canstar Credit Card Star Ratings is awarded points for its comparative Costs and for the array of positive Features attached to the card. These features include rewards programmes, premium card facilities, repayment capabilities and conditions attached to interest charging.

To arrive at the total score, Canstar applies a weight (W) against the Price Score (P) and the Feature Score (F). This weight will vary for each profile of credit card usage. The weight will reflect the relative importance of either costs or features in determining the best value card for the type of business credit card usage and payment.

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

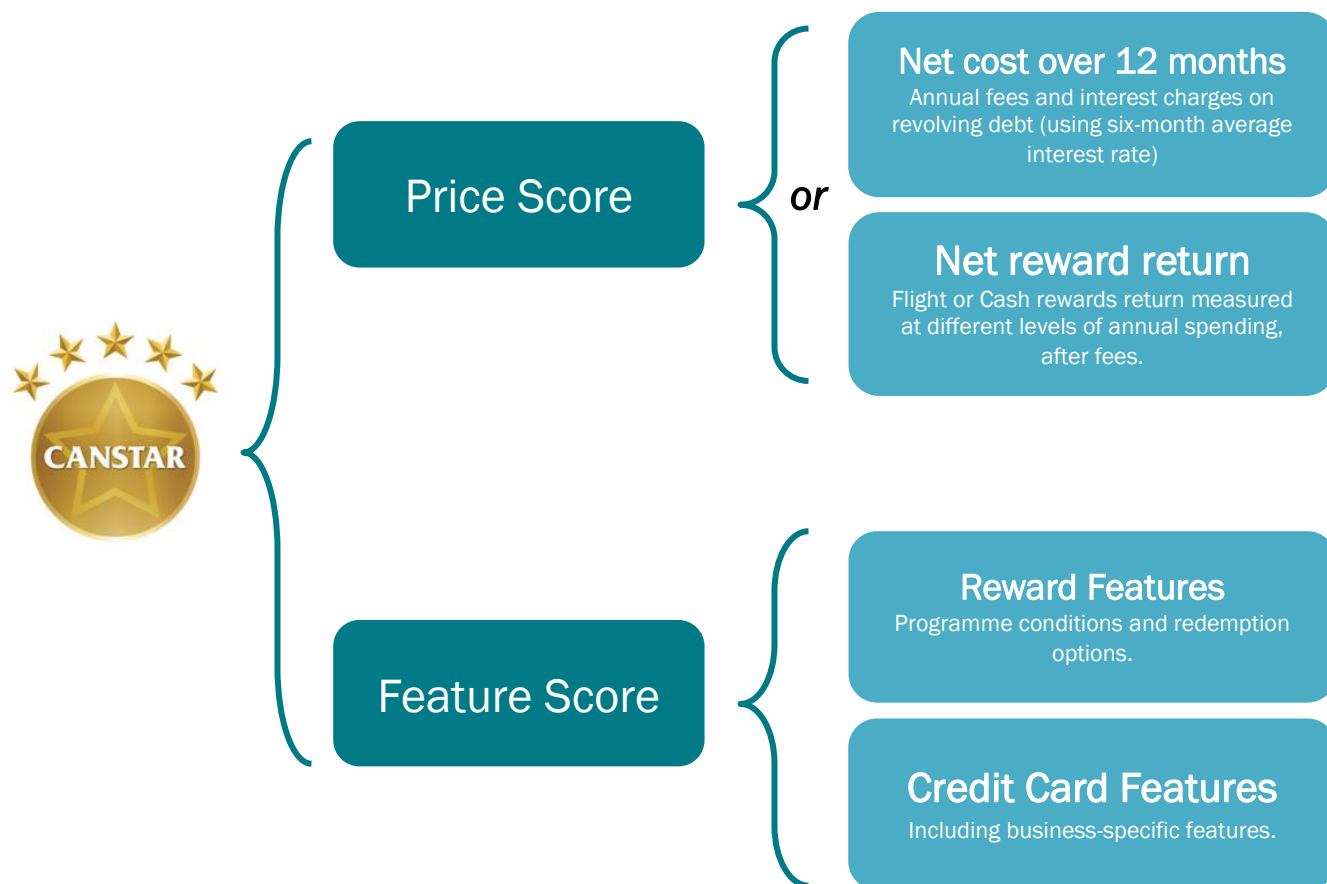
The table below outlines the weights allocated to price and features by profile:

Profile	Pricing Weight	Feature Weight
Low Rate	70%	30%
Low Fee	60%	40%
Rewards	70%	30%

Star Ratings Methodology

Each product reviewed for the Canstar *Business Credit Card Star Ratings* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a price score and a feature score.

To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of costs and features in determining the products offering outstanding value. This method can be summarised as follows:



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

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					

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	✓
The below profiles are each rated for four different amounts of annual spending							
Rewards	1	✓	✓		\$24,000 (40%)		
					\$60,000 (45%)		
					\$120,000 (15%)		

Pricing Score - Low Rate and Low Fee

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

Net Cost over 12 Months:

- Historical Interest Rates
- Annual Fees
 - Includes 1 additional card holder
- Revolving Debt
 - \$10,000 for six months (Low Rate)
 - \$5,000 for 1 month (Low Fee)

Pricing Score - Rewards

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

Net Reward Return:

- Value of Rewards
 - Cash/Gift card or three return flights (Auckland return Wellington, Sydney, and Los Angeles)
 - Different levels of annual spending analysed
- + Free Extras
 - Extras such as free flights, vouchers and hotel stays.
- - Fees
 - Includes 1 additional cardholder

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. credit terms and conditions) is ranked and weighted with each category contributing to the overall Feature Score.

Category/Subcategory	Low Rate	Low Fee	Rewards
Credit Terms and Conditions	45%	35%	30%
Business Specific Conditions	50%	55%	65%
Card Terms	30%	25%	20%
Interest Charging	20%	20%	15%
Additional Fees & Charges	15%	15%	5%
Cash Advance	35%	35%	30%
Foreign Currency Purchase	30%	30%	35%
Miscellaneous Fees & Charges	25%	25%	25%
Replacement Card	10%	10%	10%
Digital Wallet & Security	10%	10%	10%
Ease of Access	10%	10%	10%
Repayment Capabilities	50%	50%	50%
Merchant Acceptability	50%	50%	50%
Premium Card Facilities	10%	10%	10%
Interest Free Days	5%	15%	10%
Application Process	5%	5%	5%
Rewards Programme	-	-	20%

Rewards Choices and Conditions

The following table outlines the weightings that are given to individual features of rewards profiles for both the Rewards and Flight Rewards profiles

Feature Category	Reward Cards	Flight Rewards Cards
Rewards Choices	80%	40%
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%	-
Programme Conditions	20%	60%
Earning Policies	20%	20%
Bonus Points Partner Information	10%	10%
Points Capping Information	10%	10%
Customer Service Information	10%	10%
Reward Programme Fees	10%	10%
Earning Policy Flexibility	10%	10%
Account Status Information	10%	10%
Top-Up Policies	10%	10%
Expiration Policies	10%	10%

Business Credit Cards Bank of the Year Award

The Business Credit Cards Bank of the Year Award acknowledges the cumulative performance across each Business Credit Cards Star Rating profiles. The weights distributed across profiles are reflective of the relative importance of each profile.



Does Canstar rate all products in the market?

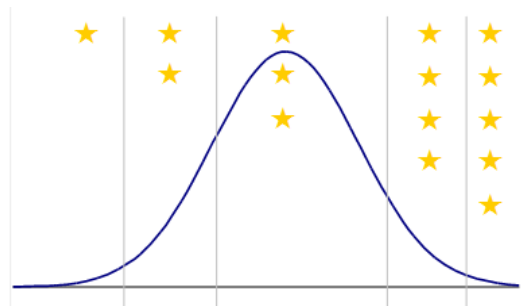
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that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

How often are Business *Credit Cards* re-rated?

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

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.



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.com.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

COPYRIGHT & TRADEMARKS

© Canstar New Zealand Limited (3225469), 2008-2017. The recipient must not reproduce or transmit to third parties the whole or any part of this work, whether attributed to Canstar or not, unless with prior written permission from Canstar, which if provided, may be provided on conditions.

The word "Canstar", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of Canstar Pty Ltd A.C.N. 053 646 165. Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of Canstar by the respective trademark owner.

DISCLAIMER

To the extent that any Canstar data, ratings or commentary constitutes general advice, this advice has been prepared by Canstar New Zealand Limited (3225469) FSP 200146 and does not take into account your individual investment objectives, financial circumstances or needs. Information provided does not constitute financial, taxation or other professional advice and should not be relied upon as such. Canstar recommends that, before you make any financial decision, you seek professional advice from a suitably qualified adviser. A Product Disclosure Statement relating to the product should also be obtained and considered before making any decision about whether to acquire the product. Canstar acknowledges that past performance is not a reliable indicator of future performance.