

# Business Credit Cards

July 2021



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

## Eligibility Criteria

To be eligible for a Star Rating in the Low Rate profile, 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.

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 Credit Card Star Ratings.

## 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.

Canstar has adopted two 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. The table below provides a description on each profile.

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"> <li>• Business, unsecured credit cards</li> <li>• A credit limit of \$10,000 must be available on application</li> <li>• Includes both business-liability and personal-liability business credit cards</li> <li>• Six months' worth of rates required to receive a Star Rating</li> </ul>
	For businesses seeking a credit or charge card that gives them the optimal return on their everyday spending	<ul style="list-style-type: none"> <li>• The card must offer a rewards programme that provides direct access to cash-back, gift cards, or a flight rewards programme</li> </ul>

## 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 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 against the Price Score and the Feature Score. 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.

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

Profile	Price Weight	Feature Weight
Low Rate	70%	30%
Rewards	70%	30%

## Star Ratings Methodology



Profile	Price Weight	Reward Return Included	Charge Cards Included	Revolving Interest Scenario	Feature Weight
Low Rate	70%	X	X	✓	30%
Rewards	70%	✓	✓	✓	30%

## Price 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	X	X	\$20,000	\$10,000	6	✓
The below profiles are each rated for three different amounts of annual spending							
Rewards	1	✓	✓	\$36,000 (40%) \$60,000 (45%) \$120,000 (15%)	\$1,500 \$2,500 \$5,000	1	✓

## Price Score – Low Rate

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

The Net Cost over 12 Months considers:

- Historical Interest Rates
- Annual Fees
  - Includes 1 additional card holder
- Revolving Debt
  - \$10,000 for six months

## Price 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.

The Net Reward Return considers:

- 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
- Revolving Debt of 1 month

## Feature Score

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

Subcategory	Low Rate	Rewards   Frequent Flyer
Research		5%
Application and Onboarding		20%
Application and Identification		60%
Onboarding		40%
Account Operation		55%
Transactions	25%	15%
Purchasing		60%
Cash Advance		25%
Digital Wallet		5%
Merchant Acceptability		5%
Foreign Currency Purchase		5%
Business Specific Conditions	10%	5%
Repayments and Interest Charging	40%	15%
Repayments	35%	50%
Interest Charging	40%	20%
Interest Free Days	10%	30%
Balance Transfer and Introductory Rate	10%	-
Minimum Repayment Score	5%	-

Account Management	20%	10%	
Statement and Alert	45%		
Additional and Replacement Cards	30%		
Miscellaneous Fees and Charges	25%		
Rewards Program	-	35%	
Earning Policies	40%		
Rewards Redemption	30%		
Account Status Information	30%		
Premium Card Facilities	5%	20%	
Insurance	90%	45%	40%
Airline Lounge	-	35%	30%
Services	10%	20%	30%
Customer Service and Support	10%		
Support Services	50%		
Branches	25%		
Security and Fraud Detection	25%		
Account Closure	10%		
Closure	100%	80%	
Impact on Rewards Points	-	20%	

### 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 profile. The weights distributed across profiles are reflective of the relative importance of each profile.



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

Home Loan Star Ratings are recalculated annually based on the latest features offered by each provider. Canstar also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

## 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.

## Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth 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.

- Agribusiness
- Business banking
- Credit cards
- KiwiSaver
- Deposit accounts
- First home buyer
- Home loans
- Online banking
- Personal loans
- Term deposits



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