

2014

STAR RATINGS REPORT



Business credit cards



BUSINESS CREDIT CARDS

IN THIS REPORT

In this report we research and rate 28 credit cards offered by 17 financial institutions to find those cards that offer outstanding value for business owners.



Small businesses: a crucial sector of Australia's economy

According to the Australian Bureau of Statistics (ABS), small business in Australia is a community of more than two million businesses, including more than 800,000 "employing" businesses.

Overall, small business accounts for almost half of employment in the private non-financial sector and over a third of production. The financial health of small businesses thus directly affects the financial health of a significant proportion of the Australian population.

Business conditions still soft

In the wash-up of the government's "tough budget", the outlook for business generally is more of the same. It seems the word "average" neatly sums up trading, profit, employment and growth levels across the board.

On the plus side, it's a shiny, new financial year with rate rises not expected to further dampen business confidence anytime soon. No doubt many in business have already been plotting their course for trading into the near future and making adjustments according to market fluctuations. Many operating costs are fixed but often, savings can be made in areas that are overlooked.

Credit cards – a help or a hindrance?

The credit card your business relies on to trade is one area that deserves regular scrutiny. Why? Because all credit cards are not the same.

Products change all the time and perhaps the way you use your business credit card has changed, too. The secret to success firstly is to determine just what role a credit card plays in the daily operation of your business.

A word of caution – credit card interest rates can be high! Due to a combination of an increase in the average business credit card purchase rate and a decrease in the official cash rate over the past few years, the current margin between the average business credit card purchase rate and the official cash rate is 13.48%. This doesn't mean that business owners should pocket the plastic – there

can be some great benefits associated with using a credit card – but simply that they

should be aware of what maintaining a running balance could cost them.



Date	Average business credit card purchase rate	Official cash rate	Margin
June 1, 2010	15.41%	4.50%	10.91%
June 1, 2011	16.42%	4.75%	11.67%
June 1, 2012	16.68%	3.75%	12.93%
June 1, 2013	16.54%	2.75%	13.79%
June 1, 2014	15.98%	2.50%	13.48%

How do you use credit cards?

Most businesses operate with at least one credit card. For some, it is a regular spending tool that is paid off each month and for others it is an essential form of short-term lending to cover them when cash flow is down.

In recognition of these differences, the CANSTAR business credit card star ratings methodology reflects two different spending and credit card usage styles.



Profile name	Description
 Revolver	<i>Businesses that revolve a debt from month to month and pay interest on a balance owing.</i>
 Transactor	<i>Businesses that pay off their credit card balance in full each month.</i>

Details of our methodology form part of this report.

In terms of getting outstanding value for money from a business credit card, business owners first need to identify their typical usage style and then look for a card that is tailored towards that usage type. Some general tips include:

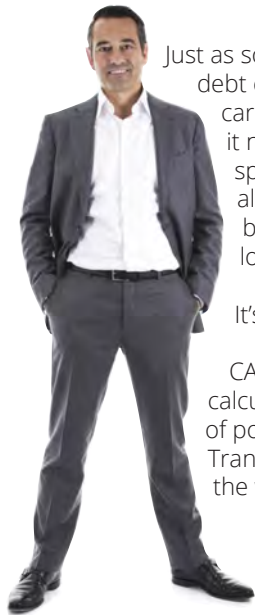


- Do look for a card with a low interest rate
- Do look for a low annual fee
- Do look for a card that offers instant rewards
- Don't spend extra just to get rewards
- Don't be dazzled by cards offering big rewards – they come with hefty interest rates & annual fees
- Don't decide on a card until you do your sums.



- Do look for a card that has a reasonable annual fee
- Do look for maximum interest-free days
- Do look for a rewards program that's beneficial
- Don't spend extra just to get rewards
- Don't miss payments or the high annual fee will outweigh the card's benefits & perks
- Don't decide on a card until you do your sums

The wrong card can be costly



Just as someone carrying a large ongoing debt can “waste” money if their credit card interest rate is higher than it needs to be, someone who spends a lot on their card (but always pays it off in full) can also be “wasting” money by having a low-rate card with no rewards.

It’s almost a catch-22!

CANSTAR has done some calculations on just how out of pocket both Revolvers and Transactors could be by being in the wrong credit card product.



First, the Revolver...

As we have mentioned already, someone revolving debt should be looking for a low-interest rate, low-fee card rather than fantastic rewards.

With a \$10,000 ongoing debt, and making only minimum repayments of 2.5%, the difference in cost over a 12-month period between having a five-star-rated Transactor credit card compared to a five-star-rated Revolver credit card can be seen here:

Debt	Average interest incurred in a five-star Transactor product	Average interest incurred in a five-star Revolver product
\$10,000	\$2,047.85	\$917.30

Second, the Transactor...

Debt	Average value of cash rewards forgone by not being in a five-star Transactor product
\$0	\$754.56

With no ongoing debt and putting approximately \$120,000 in spending through the card each year, Transactors don’t need to worry about low interest rates.

Instead, they can look for a great-value rewards offer.

Transactors could potentially be missing out on the rewards shown in the table above by being in the wrong type of product.



How do business credit cards stack up?

There are three commonly-used methods of accessing credit for the daily operations of a business-

- Business credit card
- Charge card
- Overdraft



All three have their advantages and disadvantages, depending on how they are used within each individual business scenario.



Business credit cards have now edged closer towards personal credit cards, as far as interest rates go. The range of 9.99% to 20.74% is now common across both card types offered. The major difference lies in the annual fee. All business credit cards charge an annual fee which ranges from \$45 to \$1,500 whereas a good handful of cards do not charge an annual fee at all for personal use.

Charge cards, too, have entered the fray with a good degree of success. These cards offer no pre-set spending limit and no interest charges because you pay back the balance in full every month. This works well for some, particularly when extensive travel is required, and/or for the procurement of goods overseas.

Charge cards allow businesses to more easily manage their day to day business expenses, as well as the expenses of employees. Charge cards often have flexibility with regards to transacting and repayments, with the ability to choose the billing week and even block purchases at selected merchants. Institutions that offer charge cards understand the importance of the bottom line and thus will offer other features such as shorter processing times and reduced transactions costs.



The good, old-fashioned overdraft is still a significant player within many businesses. This is an extension of credit from a lending institution when an account reaches zero. An overdraft allows for the continuing withdrawal of money even if the account has no funds in it. Typically, an overdraft is set at a certain limit and is either unsecured or secured against property. Interest is only charged on the portion of the overdraft that is used. Much like a credit card, the more you pay off the less interest you'll pay. Also similar to a credit card, creating a never-ending debt is not ideal.

When looking in to the pros and cons of an overdraft for your business, be mindful of "extras" such as establishment fee and regular account-keeping fees, as well as the interest rate charged. How does it compare with, say, your shortlist of business credit cards? Every business overdraft set-up is different so only you will know which method of credit will best fit your individual business needs.

Who offers five-star value?

Competition is fierce for your credit card business and that's good news for those who shop around.

CANSTAR has evaluated 25 cards in the "Revolver" profile to come up with five worthy of five-star status.

In the "Transactor" profile, we compared 31 cards, arriving at four cards that offer outstanding value.



Our five-star winners



Revolver – carries debt over each month:

- ANZ – **Business One-Low Rate**
Annual fee \$150 — Interest rate p.a. 13.76% — 0 interest-free days — no Rewards
- Bank of Melbourne – **BusinessVantage Visa**
Annual fee \$55 — Interest rate p.a. 9.99% — 55 interest-free days — no Rewards
- Bank SA – **Visa Business**
Annual fee \$55 — Interest rate p.a. 9.99% — 55 interest-free days — no Rewards
- Newcastle Permanent – **Business+ Credit Card**
Annual fee \$55 — Interest rate p.a. 13.2% — 44 interest-free days — no Rewards
- St George Bank – **BusinessVantage Visa**
Annual fee \$55 — Interest rate p.a. 9.99% — 55 interest-free days — no Rewards



Transactor – pays off monthly balance in full:

- Commonwealth Bank – **Business Platinum Awards**
Annual fee \$300 — Interest rate p.a. 20.74% — 55 interest-free days — Rewards program
- Commonwealth Bank – **Business Awards**
Annual fee \$100 — Interest rate p.a. 20.74% — 55 interest-free days — Rewards program
- Commonwealth Bank – **Business Gold Awards**
Annual fee \$150 — Interest rate p.a. 20.74% — 55 interest-free days — Rewards program
- Westpac – **Business Choice Rewards Visa Card**
Annual fee \$150 — Interest rate p.a. 18.99% — 45 interest-free days — Rewards program



CANSTAR's *Business Credit Cards Star Ratings* is an invaluable starting point when creating a shopping list of credit cards that match your spending profile.

Cards rated five stars denote outstanding value.

Like to know how we did it? Our methodology is included with this report.



BUSINESS CREDIT CARDS

What are the CANSTAR *Business Credit Cards Star Ratings*?

CANSTAR *Business Credit Cards Star Ratings* involve a sophisticated rating methodology, unique to CANSTAR, which compares business credit cards in Australia. CANSTAR Star Ratings provide a transparent analysis of a shortlist of business credit cards, enabling consumers to narrow their search to products that have been independently assessed and ranked.

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

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

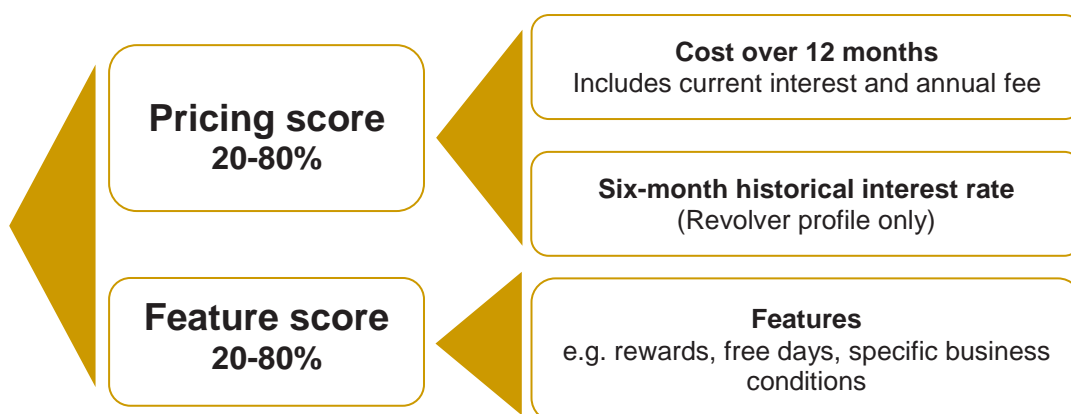
What types of products are evaluated in CANSTAR *Business Credit Card Star Ratings*?

Profile name	Description
Revolver	For businesses that revolve a debt from month to month, excludes charge cards and requires six months of historical interest rates to be rated.
Transactor	For businesses that pay off their credit card balance in full each month. Includes charge cards.

Business credit card star ratings

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Features. This weight will vary for each customer behaviour profile and will reflect the relative importance of either costs or features in determining the best business credit card. 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

Unsecured business credit and charge cards are eligible to be included in the *Business Credit Card Star Ratings*. All eligible cards are assessed against two distinct business consumer behaviour profiles (Revolver and Transactor). Revolvers carry an outstanding balance on their card while transactors pay off their outstanding balance each month. As charge cards do not encourage revolving, they were only eligible to be assessed against the transactor profile.

The star ratings consider Pricing and Features to be the two components in the card user's value equation. The contribution of each of these components to the value proposition for the business revolver and the business transactor are explained in the table below.

Business Credit Card Star Ratings components

Profile	Pricing score	Features score
Business Revolver	80%	20%
Business Transactor	20%	80%

Pricing score

The pricing score for the Revolver profile is based on a six-month average historical interest rate and the current cost of revolving \$5,000. Ninety per cent of the revolve amount is based on the purchase rate, with the remaining 10% based on the cash advance rate. For the Revolver profile, the cost score and the six-month historical score are weighted evenly.

The pricing score for the Transactor profile is based on the annual cost of keeping the card active. Cards that do not charge an ongoing fee automatically receive the maximum pricing score while other cards are awarded a score based on their annualised fees.

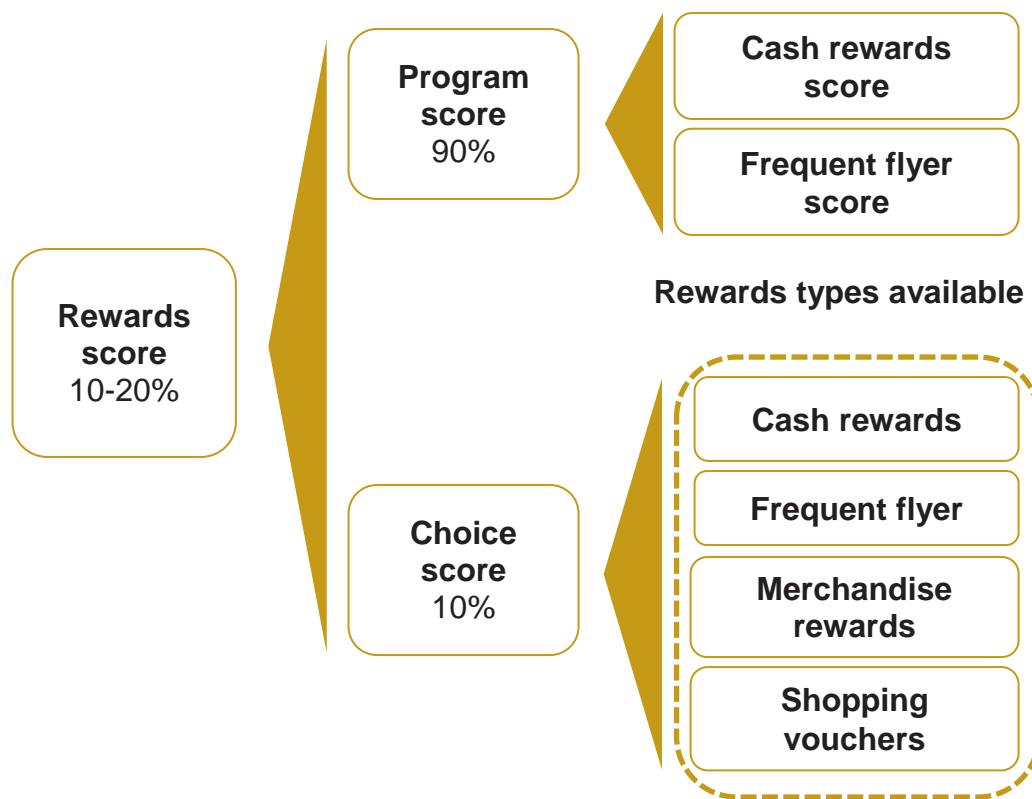
Features score

More than 100 individual features of each card are scored for positive traits and awarded a Features score. The table below highlights the contribution of the various groups of information to award the business credit/charge card Features score.

Features components	Revolver	Transactor
Specific business card conditions	20%	20%
Merchant acceptability	15%	5%
Premium card facilities	15%	10%
Online transactions	15%	10%
General card terms	5%	5%
Fees and charges	10%	5%
Late payment/interest charged	5%	5%
Repayment capabilities	5%	5%
Rewards	10%	25%
Free days	0%	10%
Total	100%	100%

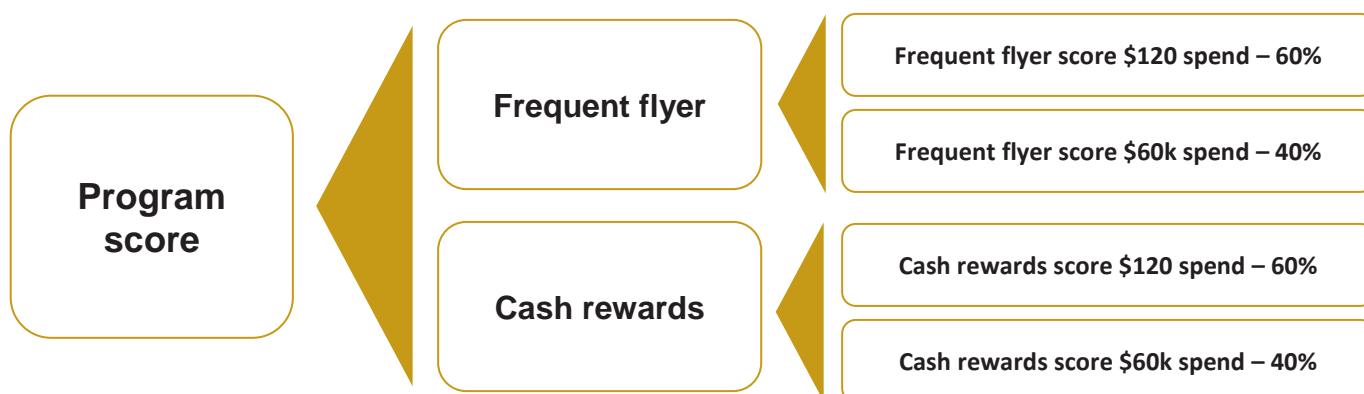
Rewards

The rewards component of both profiles is made up of the best score from the Frequent Flyer or Cash Rewards methodologies. This score is combined with a choice score that looks at if cash, merchandise, frequent flyer and shopping vouchers are available.



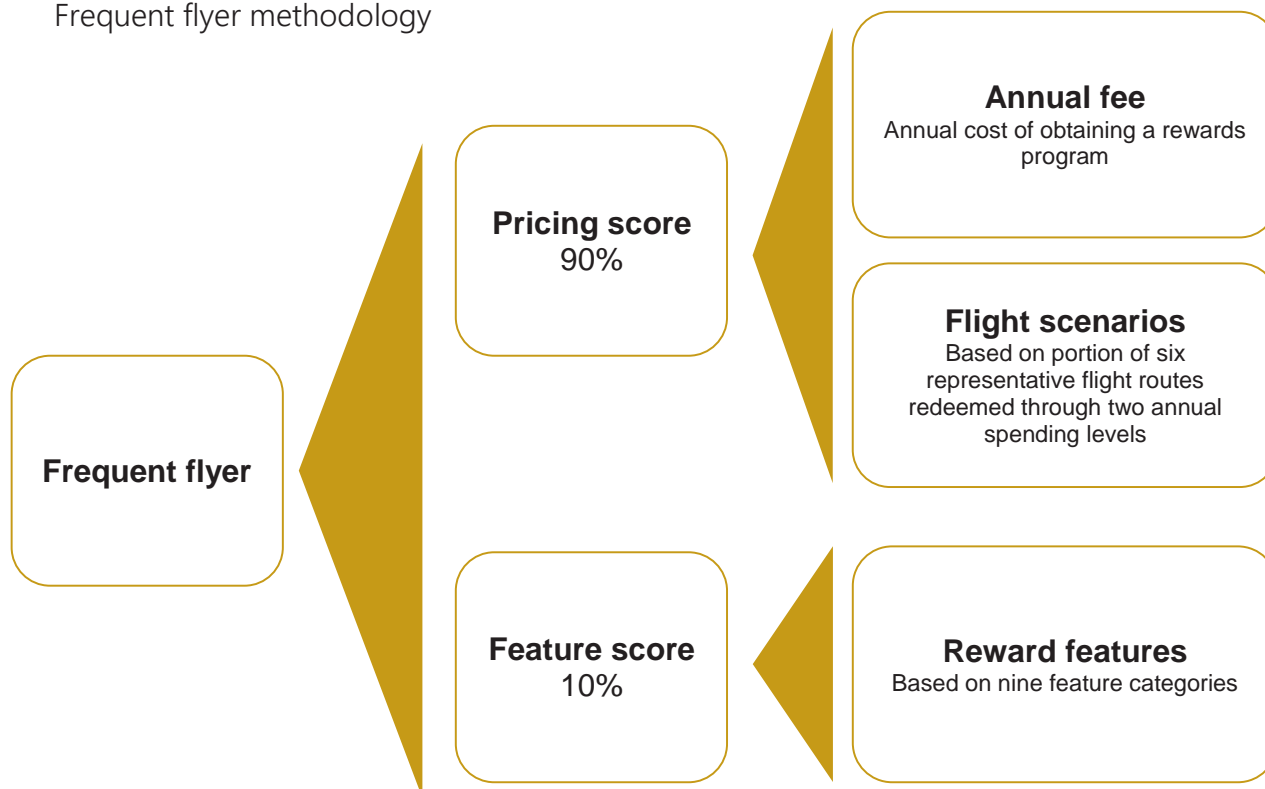
The rewards feature score is calculated based on the level of return as well as specific features relating to the programs. The methodologies used are in the trees below.

Program score is broken down to the following:



Where companion American Express/MasterCard/Visa programs exist, the weighted score is used based on 60% Visa/MasterCard and 40% American Express.

Frequent flyer methodology



Price score

The pricing score is calculated using the score for two components: Annual fee and Flight scenarios. The weighting for both components are distributed as follow:

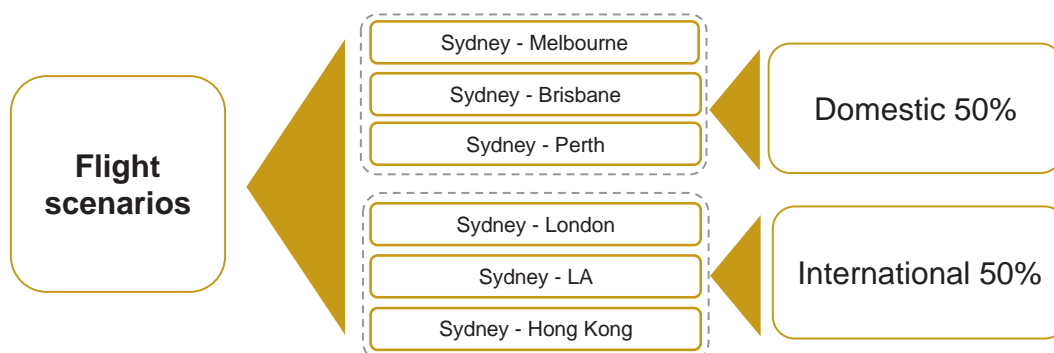
Price category	Annual fee	Flight scenario
\$60K spend	40%	60%
\$120K spend	20%	80%

Annual fee

The annual fee is the sum of the card annual fee and any additional rewards or frequent flyer program fees.

Flight scenarios

The flight scenarios looks at the portion of the flight earned in a year based on \$60K and \$120K spend levels. Free flights are awarded in the flight scenarios calculations when offered without additional purchase or conditions. There are six scenarios – three domestic and three international:



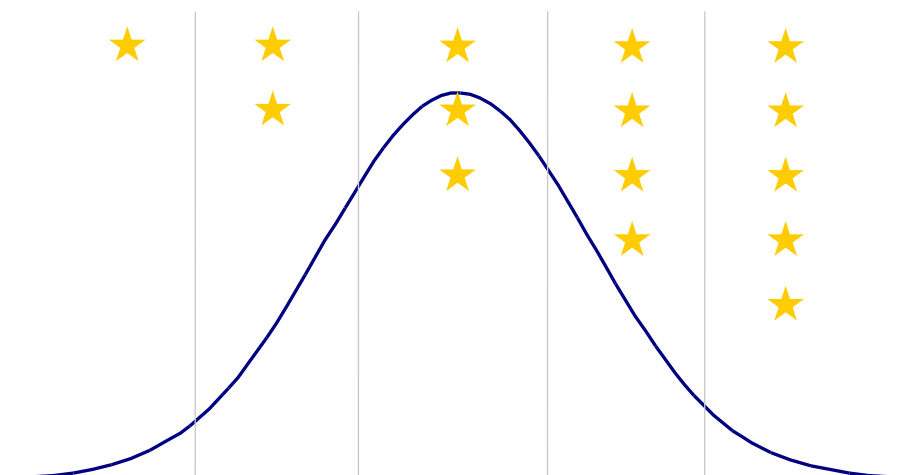
Reward feature categories

Each reward feature is put into nine different categories and allocated points. The total feature score for each category (e.g. earning policies) is ranked and weighted, with each category contributing to the overall features score.

Feature category	Feature weight
Earning policies	15%
Frequent flyer conditions	15%
Frequent flyer partners	10%
Instant rewards information	10%
Travel rewards	15%
Customer service information	10%
Top-up policies	10%
Account status information	5%
Point expiration policies	10%

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 score distribution receive a five-star rating.



The results are reflected in a consumer-friendly five-star concept, with five 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 12 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.com.au if you would like to view the latest star ratings reports of interest.



- Account-based pensions
- Business life insurance
- Deposit accounts
- Health insurance
- Life insurance
- Online banking
- Personal loans
- Term deposits
- Youth banking
- Agribusiness
- Car insurance
- Direct life insurance
- Home & Contents
- Managed investments
- Online share trading
- Reward programs
- Travel insurance
- Business banking
- Credit cards
- First home buyer
- Home loans
- Margin lending
- Package banking
- Superannuation
- Travel money cards

DISCLAIMER:

To the extent that the information in this report constitutes general advice, this advice has been prepared by CANSTAR Research Pty Ltd A.C.N. 114 422 909 AFSL and ACL 437917 ("CANSTAR"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. CANSTAR provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to CANSTAR's [FSG](#) for more information.

The information in this report must not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior written consent. All information obtained by CANSTAR from external sources is believed to be accurate and reliable. Under no circumstances shall CANSTAR have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of CANSTAR or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2014 CANSTAR Research Pty Ltd A.C.N. 114 422 909

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of CANSTAR Pty Ltd. 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.



Business Credit Card Star Ratings

Report Date: August 2014

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

REVOLVER

Company	Product	Rate (as at 02/06/14)	Free Days	Annual Fee (\$) (as at 02/06/14)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
★★★★★ Outstanding value								
ANZ	Business One - Low Rate	13.76%	0	150.00	20000	1,000.00	No Max	✗
Bank of Melbourne	BusinessVantage Visa	9.99%	55	55.00	N/A	500.00	No Max	✗
BankSA	Visa Business	9.99%	55	55.00	N/A	500.00	No Max	✗
Newcastle Permanent	Business+ Credit Card	13.20%	44	55.00	N/A	500.00	No Max	✗
St.George Bank	BusinessVantage Visa	9.99%	55	55.00	N/A	500.00	No Max	✗
★★★★★								
Bankwest	Bus MasterCard Low Rate	13.25%	45	39.00	N/A	5,000.00	50000	✗
Heritage Bank	Visa Business Unsecured	12.95%	40	35.00	N/A	1,000.00	50000	✗
Queensland Country Credit Union	Business Visa Card	13.20%	55	90.00	N/A	500.00	No Max	✓
Westpac	Business Choice Everyday Visa/MasterCar	14.25%	45	75.00	15000	2,000.00	100000	✗
★★★★								
ANZ	Business One-Int Free Days	17.74%	55	150.00	N/A	1,000.00	No Max	✗
ANZ	Business One-Rewards Options	18.99%	40	150.00	N/A	1,000.00	No Max	✓
Bankwest	Bus MasterCard LargeRwds	17.99%	55	69.00	N/A	5,000.00	50000	✓
Bendigo Bank	Business Credit Card	14.64%	44	48.00	N/A	500.00	No Max	✗
Coastline Credit Union	Visa Business Rewarder	17.00%	55	90.00	20000	500.00	25000	✓
Commonwealth Bank	Corporate Credit Card Interest Free	17.57%	55	60.00	N/A	2,000.00	50000	✗
Hume Building Society	Business Credit Cards - Unsecured	14.35%	55	40.00	24000	5,000.00	No Max	✓
nab	Business Charge Card Mastercard/Visa	15.50%	35	108.00	N/A	5,000.00	No Max	✗
nab	Qantas Business Card	18.50%	44	144.00	N/A	5,000.00	No Max	✓
Suncorp Bank	Business Credit Card	18.45%	55	45.00	N/A	5,000.00	No Max	✓
Westpac	Business Choice Rewards Visa/MasterCar	18.99%	45	150.00	N/A	2,000.00	50000	✓
★★★								

your guide to product excellence



Business Credit Card Star Ratings

Report Date: August 2014

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

REVOLVER

Company	Product	Rate (as at 02/06/14)	Free Days	Annual Fee (\$) (as at 02/06/14)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
★★								
Commonwealth Bank	Business Awards	20.74%	55	100.00	N/A	2,000.00	50000	✓
Commonwealth Bank	Business Gold Awards	20.74%	55	150.00	N/A	4,000.00	50000	✓
Westpac	Altitude Business Credit Cards	19.99%	45	100.00	N/A	1,000.00	30000	✓
Westpac	Altitude Business Gold Mastercard/Visa	19.99%	45	150.00	N/A	5,000.00	50000	✓
★								
Commonwealth Bank	Business Platinum Awards	20.74%	55	300.00	N/A	8,000.00	50000	✓
nab	Velocity Business Amex	18.50%	55	149.00	N/A	5,000.00	No Max	✓



Business Credit Card Star Ratings

Report Date: August 2014

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

TRANSACTOR

Company	Product	Rate (as at 02/06/14)	Free Days	Annual Fee (\$) (as at 02/06/14)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	

★★★★★ Outstanding value

Commonwealth Bank	Business Awards	20.74%	55	100.00	N/A	2,000.00	50000	✓
Commonwealth Bank	Business Gold Awards	20.74%	55	150.00	N/A	4,000.00	50000	✓
Commonwealth Bank	Business Platinum Awards	20.74%	55	300.00	N/A	8,000.00	50000	✓
Westpac	Business Choice Rewards Visa/MasterCard	18.99%	45	150.00	N/A	2,000.00	50000	✓

★★★★

American Express	Gold Business Card	N/A	51	169.00	N/A	0.00	No Max	✓
ANZ	Business One-Rewards Options	18.99%	40	150.00	N/A	1,000.00	No Max	✓
Suncorp Bank	Business Credit Card	18.45%	55	45.00	N/A	5,000.00	No Max	✓
Westpac	Altitude Business Gold Mastercard/Visa	19.99%	45	150.00	N/A	5,000.00	50000	✓

★★★

American Express	Business Card	N/A	51	109.00	N/A	0.00	No Max	✓
American Express	Platinum Business Card	N/A	51	1500.00	N/A	0.00	No Max	✓
American Express	Qantas Business Card	N/A	51	299.00	N/A	0.00	No Max	✓
American Express	Velocity Business Card	N/A	51	249.00	N/A	0.00	No Max	✓
ANZ	Business One-Int Free Days	17.74%	55	150.00	N/A	1,000.00	No Max	✗
Bank of Melbourne	BusinessVantage Visa	9.99%	55	55.00	N/A	500.00	No Max	✗
BankSA	Visa Business	9.99%	55	55.00	N/A	500.00	No Max	✗
Bankwest	Bus MasterCard LargeRwds	17.99%	55	69.00	N/A	5,000.00	50000	✓
Commonwealth Bank	Corporate Credit Card Interest Free	17.57%	55	60.00	N/A	2,000.00	50000	✗
Diners Club Australia	Business Card	N/A	51	95.00	N/A		No Max	✓
Hume Building Society	Business Credit Cards - Unsecured	14.35%	55	40.00	24000	5,000.00	No Max	✓
nab	Qantas Business Card	18.50%	44	144.00	N/A	5,000.00	No Max	✓
Newcastle Permanent	Business+ Credit Card	13.20%	44	55.00	N/A	500.00	No Max	✗
Queensland Country Credit Union	Business Visa Card	13.20%	55	90.00	N/A	500.00	No Max	✓

your guide to product excellence



Business Credit Card Star Ratings

Report Date: August 2014

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

TRANSACTOR

Company	Product	Rate (as at 02/06/14)	Free Days	Annual Fee (\$) (as at 02/06/14)		Credit Limit (\$)		Rewards Program Available
				Annualised Fee	Spend to Waive Annual Fee	Minimum	Maximum	
★ ★ ★								
St.George Bank	BusinessVantage Visa	9.99%	55	55.00	N/A	500.00	No Max	✗
Westpac	Business Choice Everyday Visa/MasterCar	14.25%	45	75.00	15000	2,000.00	100000	✗
★ ★								
ANZ	Business One - Low Rate	13.76%	0	150.00	20000	1,000.00	No Max	✗
Bankwest	Bus MasterCard Low Rate	13.25%	45	39.00	N/A	5,000.00	50000	✗
Bendigo Bank	Business Credit Card	14.64%	44	48.00	N/A	500.00	No Max	✗
Coastline Credit Union	Visa Business Rewarder	17.00%	55	90.00	20000	500.00	25000	✓
nab	Business Charge Card Mastercard/Visa	15.50%	35	108.00	N/A	5,000.00	No Max	✗
nab	Velocity Business Amex	18.50%	55	149.00	N/A	5,000.00	No Max	✓
★								
Heritage Bank	Visa Business Unsecured	12.95%	40	35.00	N/A	1,000.00	50000	✗
Westpac	Altitude Business Credit Cards	19.99%	45	100.00	N/A	1,000.00	30000	✓