METHODOLOGY
Credit Card Rewards

What are the CANSTAR *Rewards Star Ratings*?

CANSTAR *Rewards Star Ratings* are a consumer-friendly benchmark or value index. CANSTAR star-rated products represent a shortlist of financial products. This shortlist narrows consumers' search to products that have been independently assessed and ranked. All star-rated rewards programs rated from one to five achieved a grade suitable for consumers to consider, with five-star products awarded a rating of "Outstanding". Products where the value of the rewards earned is known to be lower than the cost of obtaining the program are limited to one star for that profile, reflecting the fact that the full benefit of the rewards program is not seen at the particular spend level. The CANSTAR *Rewards Star Ratings* are a transparent analysis comparing both the Cost and Features across all rewards programs.

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

What types of products are evaluated?

The *Rewards Star Ratings* focuses on three main categories. Only points-based rewards programs are eligible to be rated.

Profile Name	Description
Cash Rewards	*This profile suits customers that are looking for cash back or shopping voucher redemptions. Programs must offer direct cash-back rewards or shopping vouchers/gift cards to be eligible for this profile.*
General Rewards	*Customers that like a bit of choice when redeeming points should be looking at General rewards. Programs must offer at least one of the following types of rewards: Merchandise, shopping vouchers, automotive, cash, entertainment, lifestyle, food and beverage or additional rewards.*
Frequent Flyer Rewards	*As the name suggests, Frequent Flyer rewards is for customers who like to redeem their points for flights. The program must have at least one frequent flyer partner to be eligible.*

The Frequent Flyer, Cash Rewards and General Rewards categories are analysed according to separate spending levels in order to compare how each program performs at differing levels. As one would expect, different programs are better suited to different spending levels.

Tiered points earning

To cater for rewards programs that offer tiered points earning dependent on spend location, CANSTAR has allocated spend proportions for each annual spend level. These proportions apply to all Rewards categories.

When calculating the reward return for applicable programs, different points earn ratios are applied for different portions of the annual spend. To qualify for a higher points earn ratio for each category, a rewards program must offer a higher points earn for spending in a major player from the following categories:

Staple: Everyday goods, groceries

Discretionary: Department stores, luxury goods

Petrol: Petrol stations

Holidays: Travel agents and accommodation

Dining: Restaurants

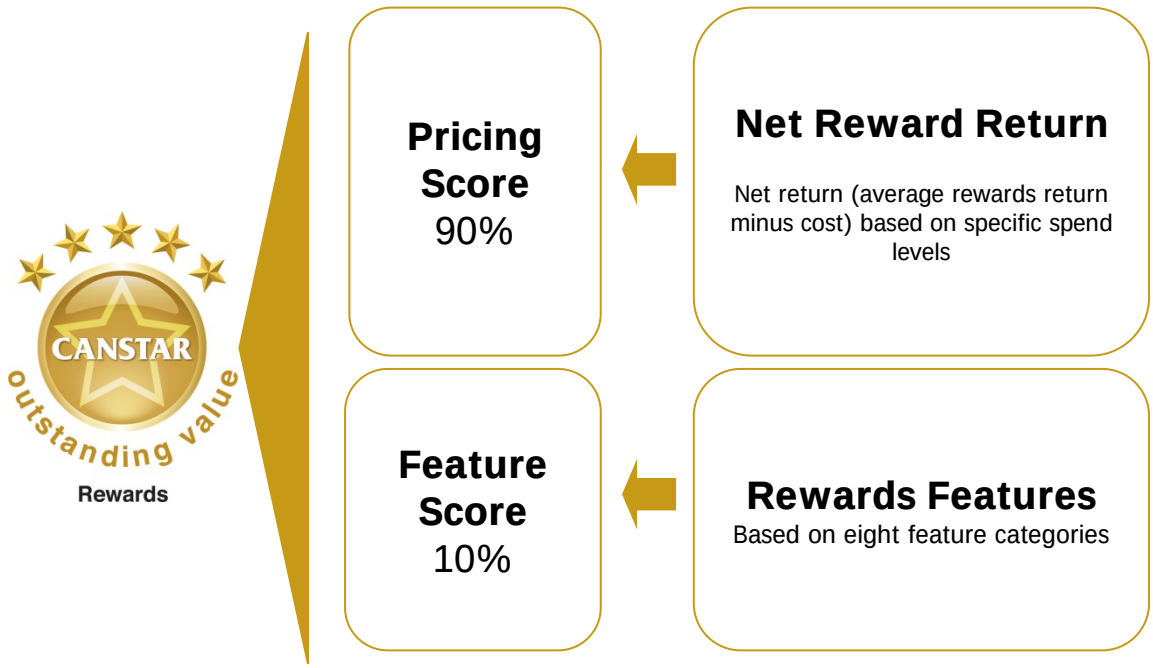
Other: All other spending, standard points earn.

Spend Proportions	*Category*					
Annual Spend	Staple	Discretionary	Petrol	Holidays	Dining	Other
$12,000	$4,200	$1,200	$1,200	$600	$600	$4,200
$24,000	$7,200	$4,080	$1,920	$1,200	$1,200	$8,400
$60,000	$15,000	$11,400	$4,200	$3,600	$4,800	$21,000
$120,000	$24,000	$24,000	$7,200	$8,400	$12,000	$44,400

These spend proportions reflect that for applicable programs consumers will be able to earn extra points on certain portions of their annual spend. The figures are based on household spending data sourced from the Australian Bureau of Statistics.

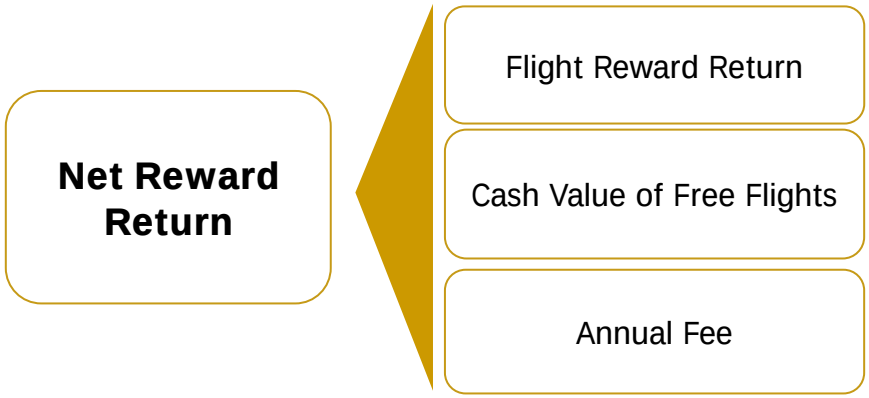
Frequent Flyer Rewards

Rewards programs are included if there is at least one frequent flyer partner attached. If they are offered, up to ten flight partners can be considered.



Pricing Score

The Pricing Score is calculated by calculating the average flight reward return when redeeming points for flights over six routes. Free flights are also considered as part of the net reward return calculation. Annual fees and/or reward program fees are subtracted from the average reward return to arrive at the Net Reward Return.



Net Reward Return = Flight Reward Return
+ Cash Value of Free Flights
– Annual Fee

Flight Reward Return

The Flight Reward Return is calculated firstly by finding the monetary value of a rewards point in the various programs (when redeemed for flights). This calculation considers that some programs charge taxes and fuel surcharges in addition to an amount of points required for a reward booking.

The benchmark used for assigning a monetary value to a reward flight on a particular route is the average market value of the flight on the various airlines considered. The quotes obtained from the different airlines must be like-for-like (for example meal and baggage inclusions must be comparable; no backtracking[1]).

For each product, the airline with the best point value (taking into account conversion rates) is found for each of the three routes. These are then averaged to obtain the monetary value of a point in each rewards program.

Annual Spend Profile	Domestic Routes	International Routes
$24,000	100%	-
$60,000	65%	35%
$120,000	65%	35%

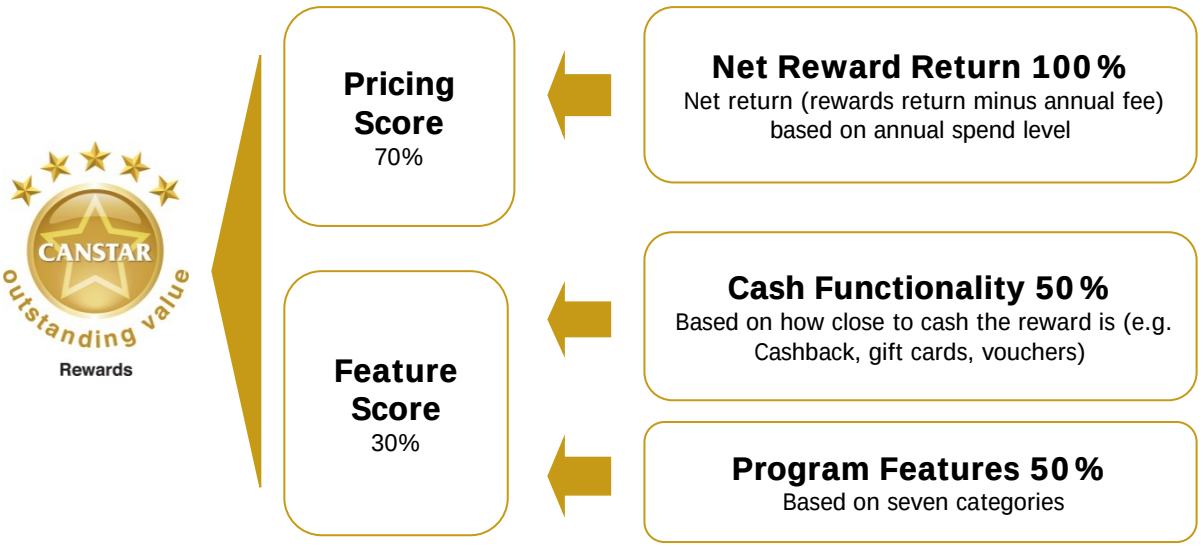
Free Flights

[1] For example, an airline would be excluded from quoting on the Sydney to Los Angeles route if a stopover was required in Singapore.

If a product offers a free return flight (without onerous restrictions on its redemption) then the average market value of this flight is awarded in the Net Rewards Return calculation. This recognises that to a frequent traveller a free flight is a benefit worth its equivalent value in cash.

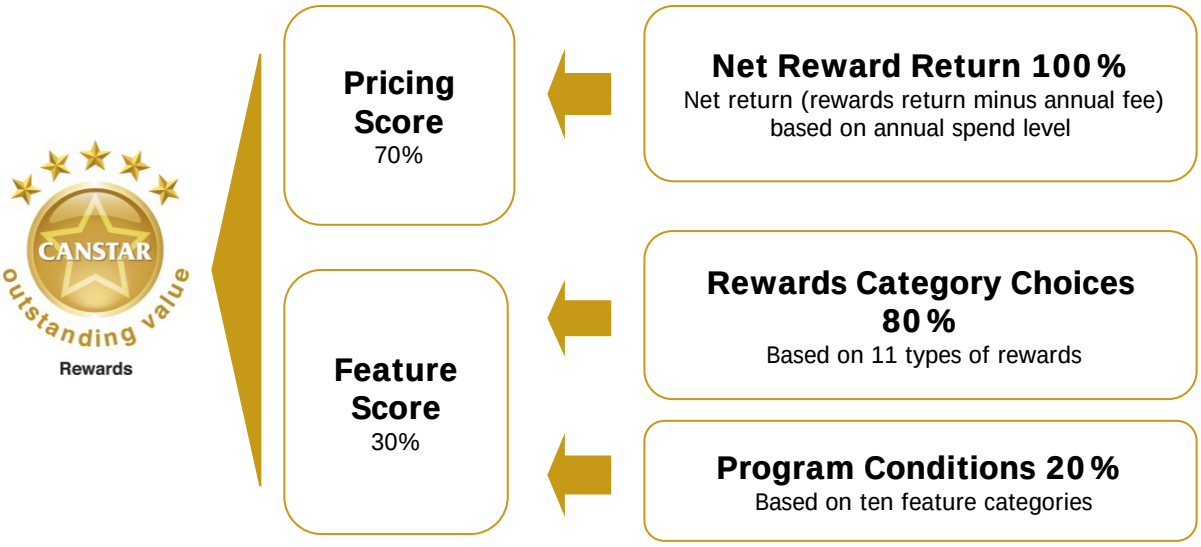
Cash Rewards

Cash rewards programs are only rated where cashback or major shopping vouchers are available. If a product offers shopping vouchers instead of cashback, these are considered as part of the "Cash" Functionality Score. Those programs that offer cash back score the top score in this section. Those that offer all three types of shopping vouchers – supermarkets, petrol and major general retailer (e.g. Myer, David Jones) – will score higher than those with only one or two.



General Rewards

Programs that offer at least one of the categories of rewards listed below are rated in this category. Those programs that have more choice are rewarded in the feature score.



Pricing score

The net reward return is calculated by obtaining the reward return for each category and subtracting the annual fee. The reward return is derived by calculating the number of points earned for the relevant dollar balance of the profile and dividing by the average return of the eight categories listed.

Additional Complimentary Rewards

If a product is deemed to have additional complimentary rewards that are equivalent to cash, the value of these rewards can be added to the net rewards return.

Net Reward Return = Reward Return – Annual Fee

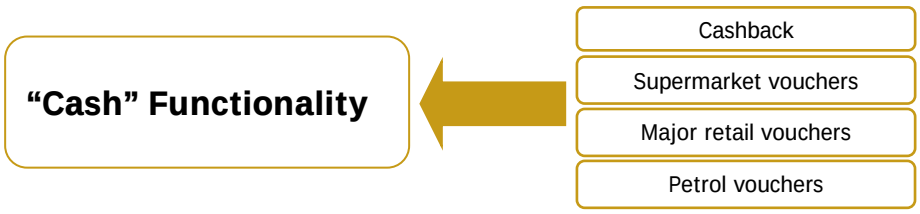
Feature Scores

The features most relevant to a particular rewards profile are considered when awarding the Feature Score.

Feature Category	Cash	Frequent Flyer	General
Rewards Choices	**30%**	**40%**	**80%**
Shopping Rewards	-	-	25%
Frequent Flyer Rewards	-	50%	10%
Merchandise Rewards	-	-	20%
Travel/Accommodation Rewards	-	50%	10%
Point For Cash / Credit	100%	-	15%
Entertainment Rewards	-	-	5%
Food & Beverage Rewards	-	-	5%
Lifestyle Rewards	-	-	5%
Additional Rewards	-	-	5%
Program Conditions	**70%**	**60%**	**20%**
Earning Policies	40%	40%	20%
Bonus Points Partner Information	25%	-	10%
Points Capping Information	25%	-	10%
Customer Service Information	-	15%	10%
Reward Program Fees	-	-	10%
Earning Policy Flexibility	-	-	10%
Account Status Information	5%	15%	10%
Top-Up Policies	-	15%	10%
Expiration Policies	5%	15%	10%

"Cash" Functionality Score

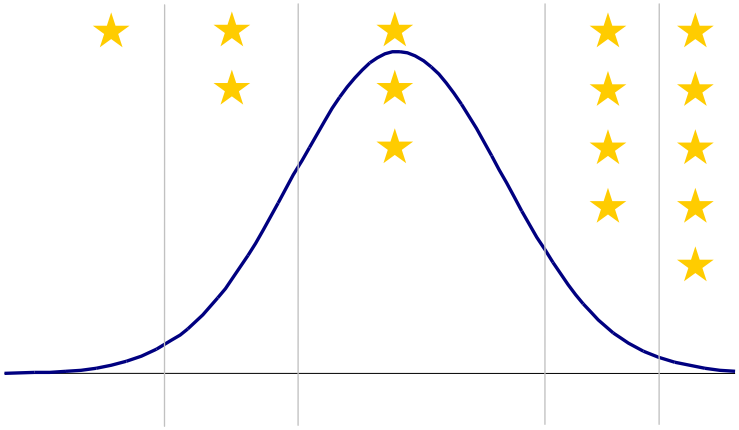
For the Cash rewards rating, the "Cash" Functionality score looks at how close to real cash the rewards options are.



For Cash rewards programs are only rated where cashback or major shopping vouchers are available.
Programs that offer cashback will receive the highest score available for "Cash" Functionality. Programs offering choice of multiple types of vouchers (but no cashback) will receive a higher score than those whose voucher offerings are limited.

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 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 or every feature compared that is relevant to you.

How often are all the products reviewed for rating purposes?

All ratings are fully recalculated every six months 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, magazines, television, websites etc.).

Does CANSTAR rate other product areas?

CANSTAR also rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website www.canstar.com.au if you would like to view the latest CANSTAR star ratings reports of interest.

- Account based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & contents
- Landlord Insurance
- Life insurance
- Managed investments
- Margin lending
- Online share trading
- Package banking
- Personal loans
- Pet insurance
- Reward programs
- SMSF loans
- Superannuation
- Travel insurance

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