METHODOLOGY
BUSINESS CREDIT CARDS

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 Australia 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 Australia and accounts for an array of characteristics such as:

- Fees/Interest Rates
- Premium Features

- Number of Free Days
- Reward/Loyalty Programs

- Standard Features
- No Frills

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

METHODOLOGY– PROFILES

Low Rate Credit Card

For businesses seeking a credit card with a low interest rate and flexible repayment conditions.

Pricing Score	• Ongoing Cost of a revolving debt of $10,000 six months out of the year. • Includes annual fee waivers where applicable
Feature Score	• Emphasis on additional fees and charges. • Includes business specific conditions, features and limits.
Eligibility	• Unsecured credit cards (excludes charge cards). • Includes both business-liability and personal-liability cards • A credit limit of $10,000 must be available on application

METHODOLOGY– PROFILES

Rewards Card

For businesses seeking a credit or charge card that gives them the optimal return on their spending.

Pricing Score	• Reward return is calculated at different spend levels. • Net benefit over 12 months is calculated after ongoing fees • Includes annual fee waivers where applicable.
Feature Score	• Terms, conditions and features of the credit card. • Choices and conditions of the rewards program. • Includes business specific conditions, features and limits.
Eligibility	• The card must offer a rewards program that provides direct access to cash-back or gift cards.

OUTSTANDING VALUE
CANSTAR
REWARDS
BUSINESS CREDIT CARD

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METHODOLOGY– PROFILES

Frequent Flyer Card

For businesses seeking a credit card or charge card that will allow them to redeem points for flights

Pricing Score

- Reward return is calculated at different spend levels.
- Net benefit over 12 months is calculated after ongoing fees.
- Includes annual fee waivers where applicable.
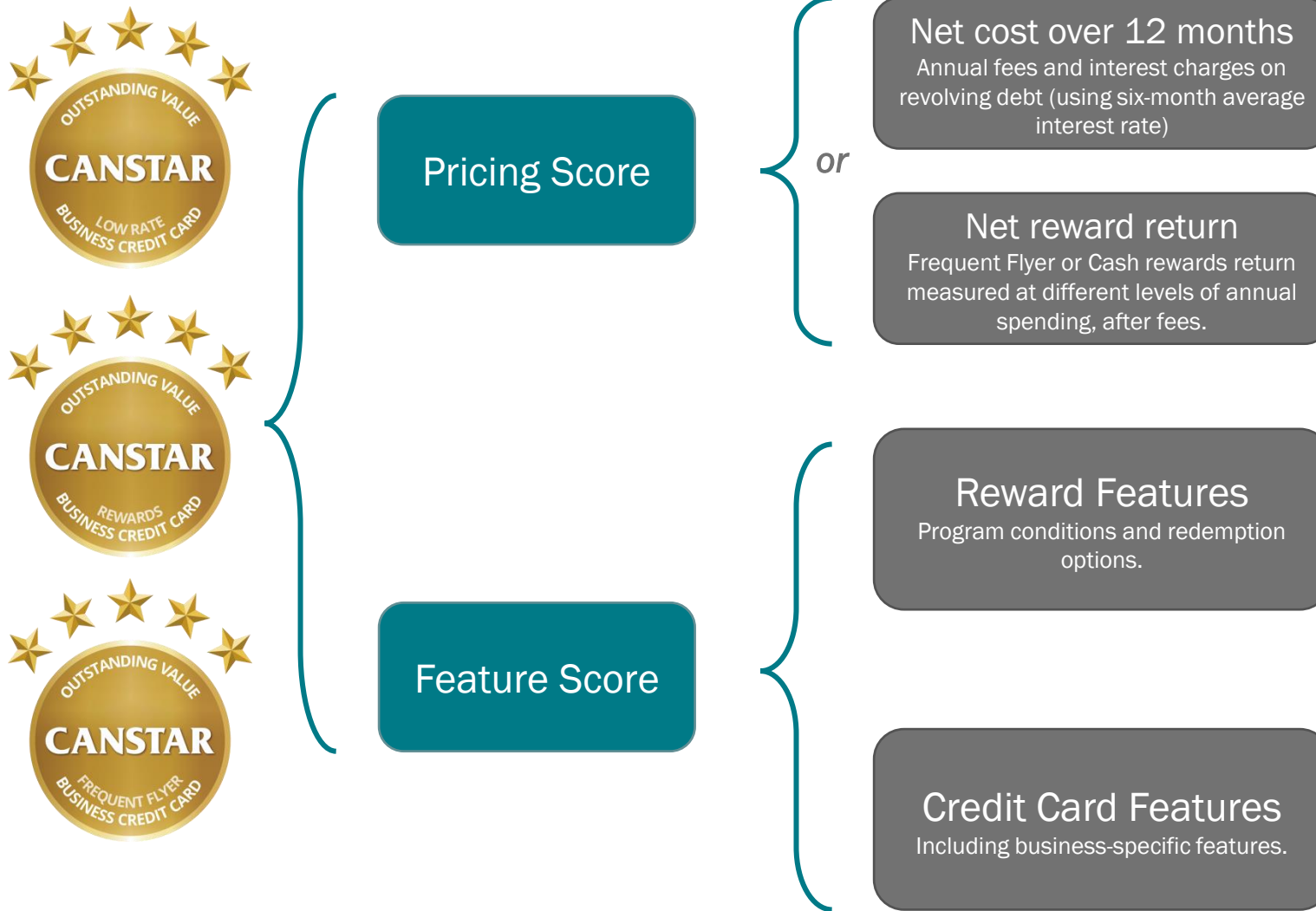
Feature Score

- Terms, conditions and features of the credit card.
- Choices and conditions of the rewards program.
- Other features relevant to a frequent flyer such as airline lounge access.
- Includes business specific conditions, features and limits.

Eligibility

- Rewards points must be able to be transferred to one or more frequent flyer programs that collectively offer flights between Sydney and the six destinations considered.

OUTSTANDING VALUE
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FREQUENT FLYER
BUSINESS CREDIT CARD

OVERALL METHODOLOGY

Pricing Score

or

> **Net cost over 12 months**
> Annual fees and interest charges on revolving debt (using six-month average interest rate)

> **Net reward return**
> Frequent Flyer or Cash rewards return measured at different levels of annual spending, after fees.

Feature Score

> **Reward Features**
> Program conditions and redemption options.

> **Credit Card Features**
> Including business-specific features.

METHODOLOGY– OVERALL WEIGHTS

Profile	Pricing Weight	Reward Return	Charge Cards Included	Revolving Interest Scenario	Feature Weight
Low Rate	70%	✗	✗	✓	30%
Rewards	70%	✓	✓	✗	30%
Frequent Flyer	70%	✓	✓	✗	30%

✓ Included ✗ Not Included ⭕ Partially Included

METHODOLOGY– PRICING SCORE

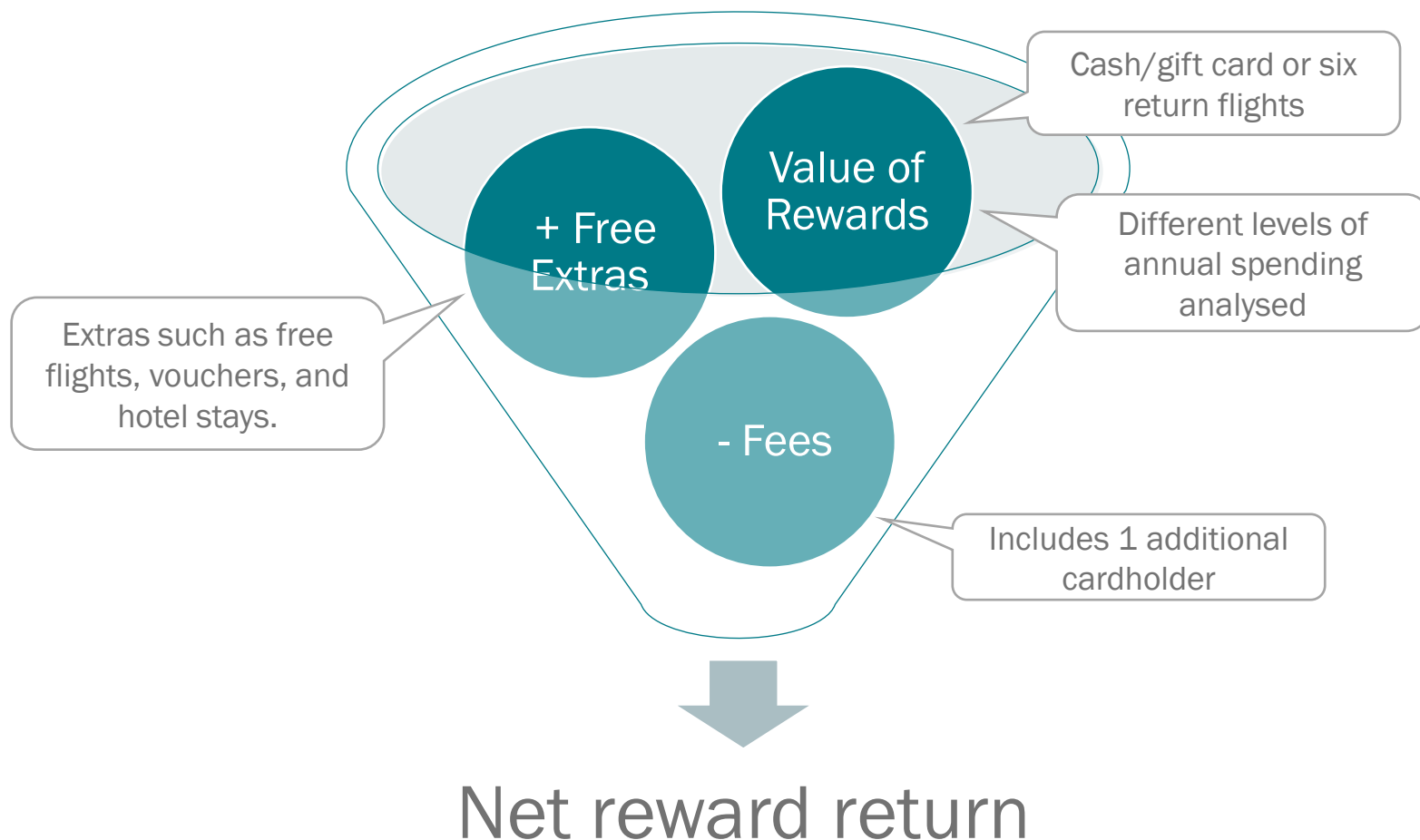| Profile	Number of additional cardholders	Reward Return	Charge Cards Included	Annual Purchases	Revolving Debt		
					Amount	Period (months)	Six-month average rate used
Revolver	1	✗	✗	$20,000	$10,000	6	✓
The below profiles are each rated for three different amounts of annual spending.							
Rewards	1	✓	✓		$36,000 $60,000		
Frequent Flyer	1	✓	✓		$120,000 $250,000		

✓ Included   ✗ Not Included

METHODOLOGY– LOW RATE PRICING SCORE

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

Historical Interest Rates

Annual Fees

Includes 1 additional cardholder

Revolving Debt

$10,000 for six months

Net cost over 12 months
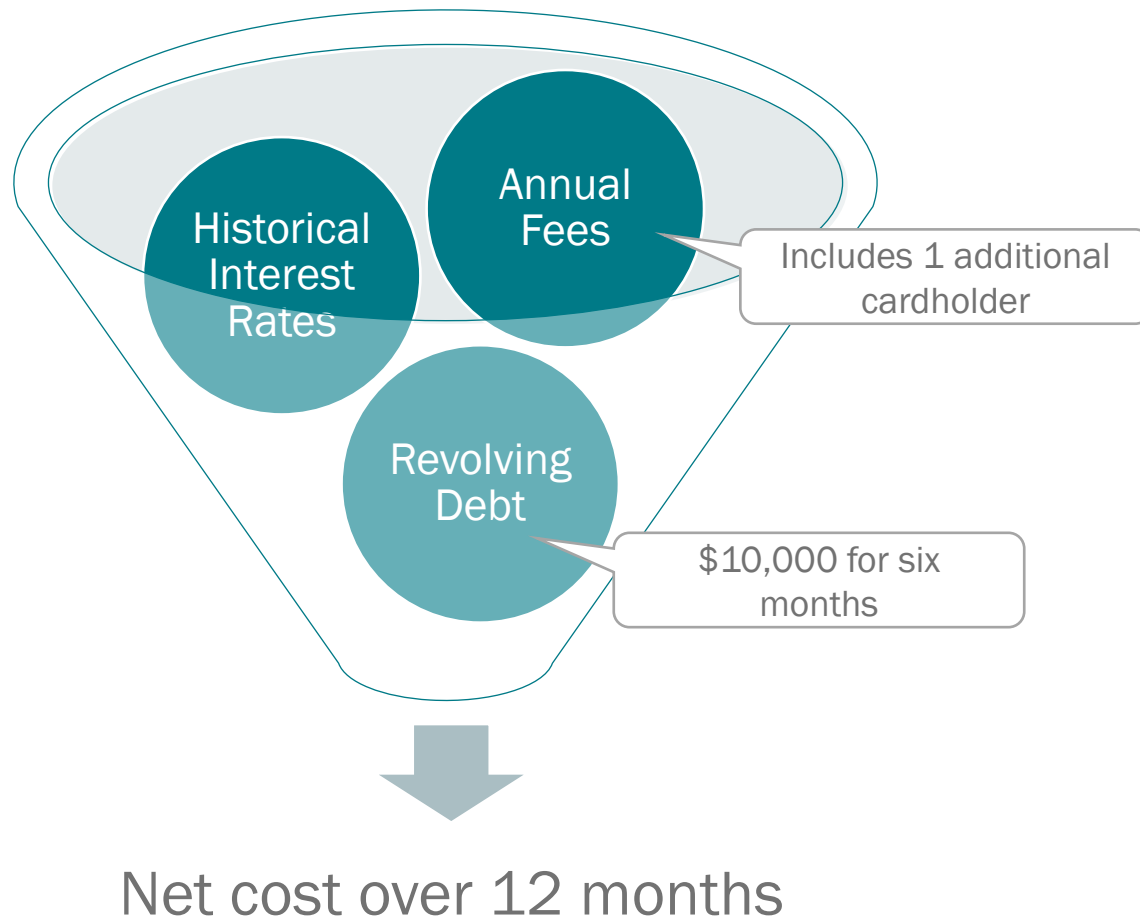
METHODOLOGY– REWARDS/FREQUENT FLYER PRICING SCORE

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

Cash/gift card or six return flights

Value of Rewards

+ Free Extras

Different levels of annual spending analysed

Extras such as free flights, vouchers, and hotel stays.

- Fees

Includes 1 additional cardholder

Net reward return

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METHODOLOGY– PRICING SCORE

Annual Fees
- Annual fee waivers included depending on spending behaviour profile.
- Includes the fee incurred for having one additional cardholder.

Interest Charges on Revolving Debt
- Six-month average historical interest rate

Reward Return
- Reward return based on annual spend amount
- Monthly and annual caps are considered as well as tiered earning structures
- All airline transfer rates are considered where there are multiple options
- Reward redemption rates used are for cashback or gift card.

Companion Cards
For companion cards, 60% of spending is assigned to the higher earning card (American Express or Diners Club) and 40% to the lower (Visa or MasterCard).

American Express and Diners Club
To recognise that American Express and Diners Club are accepted by fewer merchants than Visa and MasterCard, 15% of spending on these cards is assumed to earn no points.

Free Extras
Free extras are considered for inclusion where their value is measurable in dollar terms and where relevant to the consumer profile.
- Free flight or travel voucher considered as a free extra in the Frequent Flyer profile.
- Free extras must be ongoing (not sign-up bonuses).

METHODOLOGY
CASH REWARD RETURN
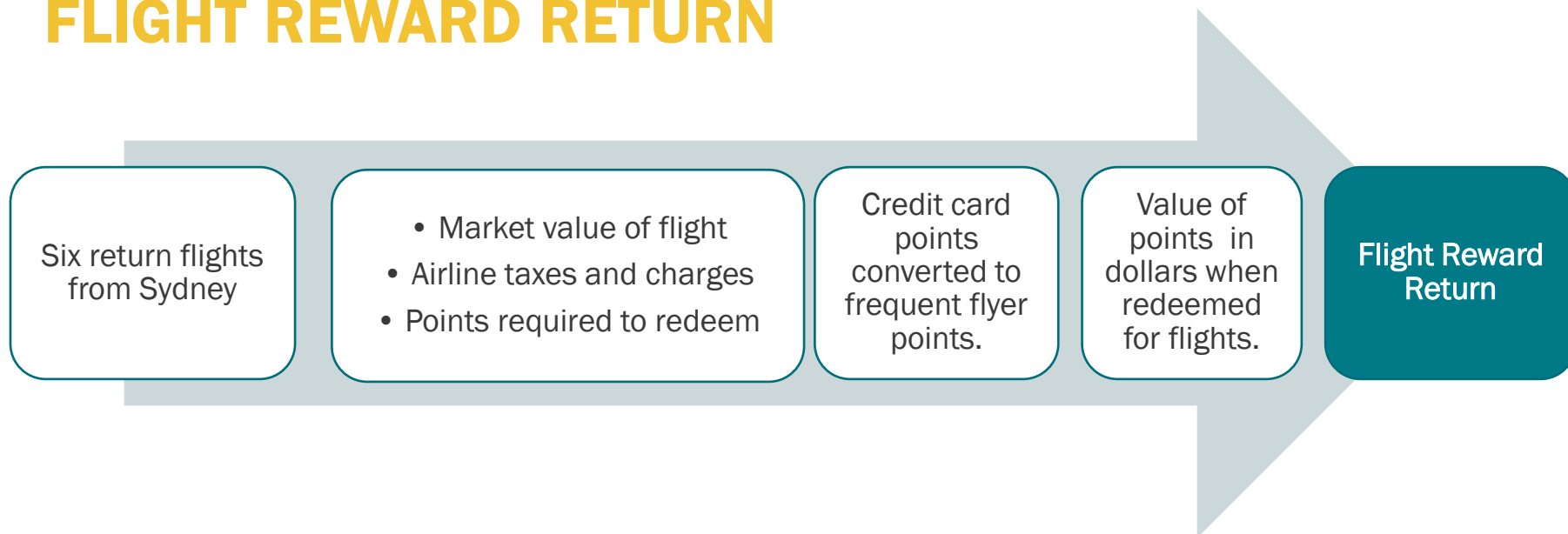
Points redeemed for cashback or shopping vouchers.

Redemptions are averaged over the available rewards types.

Cash Reward Return

METHODOLOGY
FLIGHT REWARD RETURN

| Six return flights from Sydney | • Market value of flight
• Airline taxes and charges
• Points required to redeem | Credit card points converted to frequent flyer points. | Value of points in dollars when redeemed for flights. | Flight Reward Return |

- If more than one airline partner is available, the best airline redemption option is considered for each route.
- Quotes are undertaken for flights six months in advance, out of peak travel periods.
- Routes considered are Sydney return Brisbane, Melbourne, Perth, Los Angeles, London and Singapore.

Annual Credit Card Spending	International Flights	Domestic Flights
$36,000	20%	80%
$60,000	40%	60%
$120,000	40%	60%
$250,000	40%	60%

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METHODOLOGY
SAMPLE REWARDS CALCULATION

- 1 rewards point per $1 spent
- 150 points can be redeemed for $1 in cashback
- 1 rewards point converts to 1 frequent flyer point
- $24,000 spent in one year on the credit or charge card

GENERAL REWARDS

$$\text{Cash Reward Return} = \frac{24000 \text{ points}}{150 \text{ points per } \$1} = \$160$$

FREQUENT FLYER REWARDS

$$\text{Flight Reward Return} = \frac{\$160 \text{ return flight} - \$40 \text{ taxes}}{16{,}000 \text{ FF points to redeem}} \times 24{,}000 \text{ points earned} = \$180$$

METHODOLOGY – 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. repayment capabilities) is ranked and weighted with each category contributing to the overall Feature Score.

Price and Features are weighted differently for each spending profile. This is done in recognition of the relative importance of the different product components to each profile.

The Price plus Feature scores are indexed and totalled to provide the Total Score. Together they form the basis of CANSTAR's *Credit Card Star Ratings*.

METHODOLOGY – FEATURE SCORE

Feature Category	Low Rate	Rewards	Frequent Flyer	Examples of data captured
Credit Terms and Conditions	**55%**	**35%**	**35%**	
Business Specific Conditions	35%	55%	55%	Max number of cards, GST Statement, Limits
Card Terms	25%	15%	15%	Min repayments, balance transfers, introductory rates
Additional Fees and Charges	25%	15%	15%	Overdrawn, late fees, etc.
Interest Charging	15%	15%	15%	Grace period, date interest is calculated from
Accessibility and Security	**30%**	**25%**	**25%**	
Repayment Capabilities	40%	40%	40%	Branch, ATM, BPAY, Cheque, Internet
Online Transaction Security	30%	30%	30%	Chip, online shopping password, fraud protection
Merchant Acceptability	30%	30%	30%	Number of merchants card is accepted at.
Benefits and Options	**10%**	**30%**	**30%**	
Rewards	-	50%	45%	Rewards choices and conditions
Airline Lounge Access	-	10%	15%	Number of passes, availability of lounges.
Premium Card Facilities	100%	40%	40%	Insurances (Loss, theft, price protection, travel, warranty), concierge, special events.
Interest Free Days	**5%**	**10%**	**10%**	**Number of interest free days.**

METHODOLOGY – FEATURE SCORE CONT'D

- **Interest free days:** The products in the market with the highest number of interest free days receives the top score.

- **Airline Lounge Access** is scored based on the availability of lounges to travellers in Australia and Overseas as well other factors:
    - Number of lounge passes (e.g. 2, unlimited, or a discount-only on membership)
    - Whether or not a purchase is required before the lounge passes are given (e.g. must use the credit card to make a purchase with the airline).

METHODOLOGY
REWARDS CHOICES AND CONDITIONS

Feature Category	Rewards	Frequent Flyer
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%	-
Program Conditions	20%	60%
Earning Policies	20%	40%
Bonus Points Partner Information	10%	-
Points Capping Information	10%	-
Customer Service Information	10%	15%
Reward Program Fees	10%	-
Earning Policy Flexibility	10%	-
Account Status Information	10%	15%
Top-Up Policies	10%	15%
Expiration Policies	10%	15%

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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.
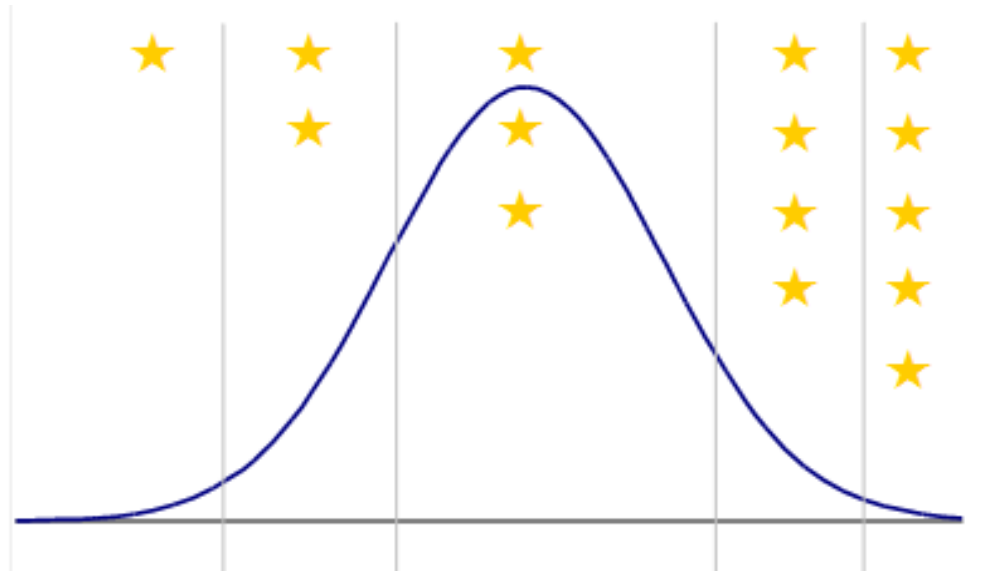
HOW OFTEN ARE CREDIT CARDS RE-RATED?

All ratings are fully recalculated every twelve months based on the latest features offered by each institution. CANSTAR also monitors rate 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
- Landlord insurance
- Margin lending
- Package banking
- Reward programs
- Travel insurance

- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards

- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking

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