



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 business credit card products in Australia and presents the results in a simple, user-friendly format.

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
- Number of Free Days
- Standard Features
- Premium Features
- Reward/Loyalty Programs
- No Frills

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.

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 or charge card that gives them the optimal return on their everyday spending	The card must offer a rewards program that provides direct access to cash-back, or, gift cards.
	For businesses seeking a credit card or charge card that will allow them to redeem points for flights	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.

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 programs, 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.

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

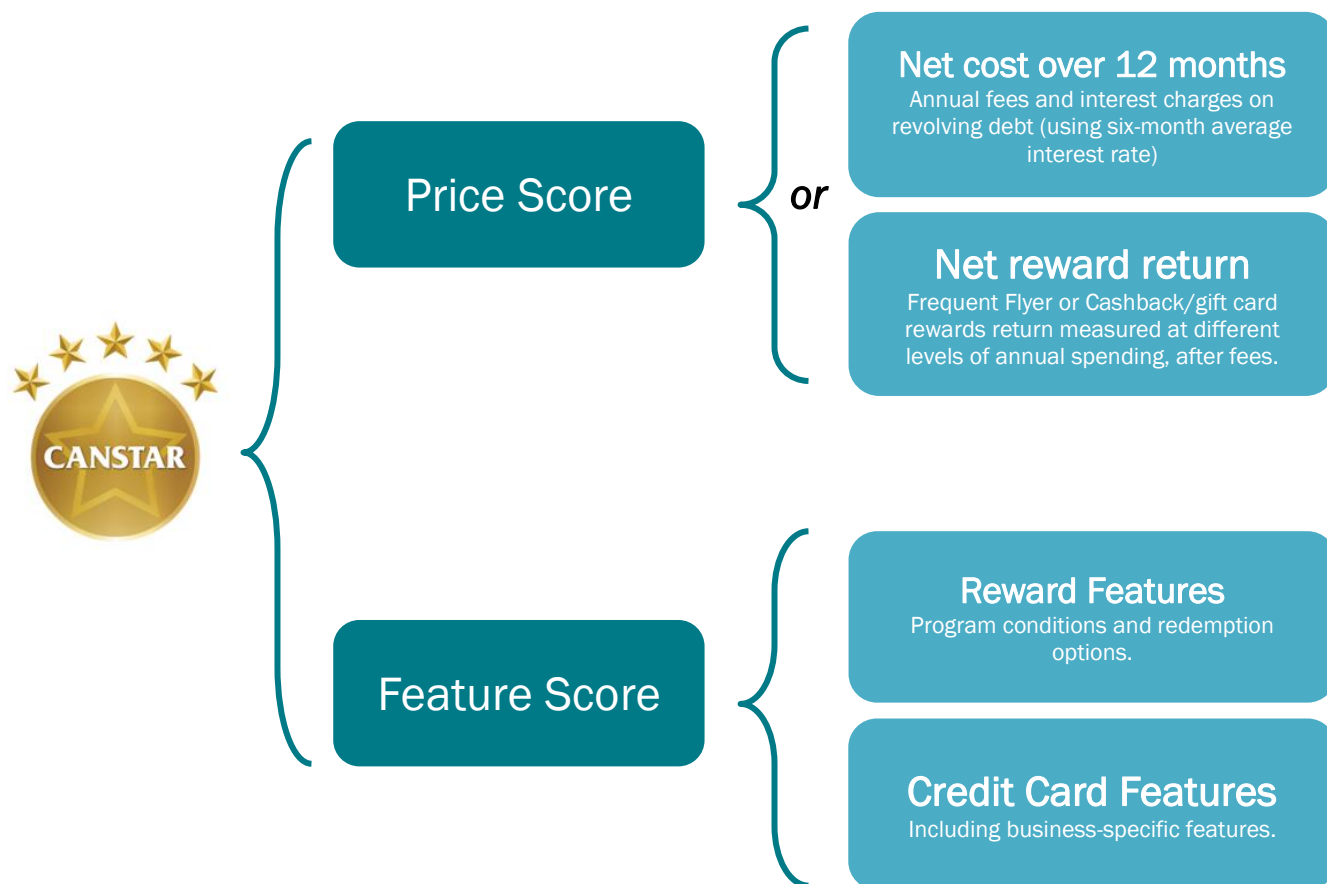
The table below outlines the weights allocated to price and features by profile:

Profile	Price Score Weight	Feature Score Weight
Low Rate	70%	30%
Rewards	70%	30%
Frequent Flyer	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%
Rewards	70%	✓	✓	✗	30%
Frequent Flyer	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	✓
The below profiles are each rated for three different amounts of annual spending							
Rewards	1	✓	✓		\$36,000		
					\$60,000		
Frequent Flyer	1	✓	✓		\$120,000		

Pricing 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 pricing score.

Net Cost over 12 Months:

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

Pricing Score - Rewards & Frequent Flyer

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 (Rewards) or six return flights (Frequent Flyer)
Sydney return Melbourne, Brisbane, Perth, Singapore, London 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

Pricing Score Details

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).

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%

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	Rewards	Frequent Flyer	Examples of data captured
Credit Terms and Conditions	45%	25%	25%	
Business Specific Conditions	50%	65%	65%	Max number of cards, GST Statement, Limits
Card Terms	30%	20%	20%	Min repayments, balance transfers, introductory rates
Interest Charging	20%	15%	15%	Overdrawn, late fees, etc.
Additional Fees & Charges	15%	5%	5%	
Cash Advance	35%	30%	30%	Cash advance rate, fees attributed to cash advances
Foreign Currency Purchase	30%	35%	35%	Currency conversion fee, and other fees & charges attributed to foreign purchases
Miscellaneous Fees & Charges	25%	25%	25%	Other miscellaneous fees and charges
Replacement Card	10%	10%	10%	Fees associated with replacing a card
Digital Wallet & Security	10%	10%	10%	Apple pay, Google pay, increase/decrease limits online, etc.
Ease of Access	10%	10%	10%	
Repayment Capabilities	50%	50%	50%	Branch, ATM, BPAY, Cheque, Internet
Merchant Acceptability	50%	50%	50%	Number of merchants card is accepted at
Premium Card Facilities	10%	15%	15%	Insurances (Loss, theft, price protection, travel, warranty)
Interest Free Days	5%	5%	5%	Number of interest free days
Application Process	5%	5%	5%	Online, paper-based application, processing time
Rewards Program	-	25%	20%	Rewards choices and conditions
Airline Lounge Access	-	-	5%	Number of passes, availability of lounges.

Interest free days: The products in the market with the highest number of interest free days receive 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).

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%	-
Program Conditions	20%	60%
Earning Policies	20%	20%
Bonus Points Partner Information	10%	10%
Points Capping Information	10%	10%
Customer Service Information	10%	10%
Reward Program Fees	10%	10%
Earning Policy Flexibility	10%	10%
Account Status Information	10%	10%
Top-Up Policies	10%	10%
Expiration Policies	10%	10%

Does Canstar rate all products in the market?

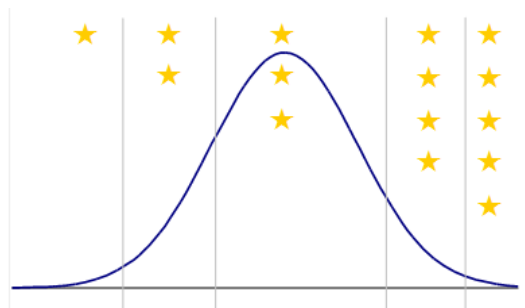
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that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

How often are *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.

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.au if you would like to view the latest 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
- Home loans
- Life Insurance
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
- Reward programs
- Travel insurance
- Youth banking & education

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