

Making Sure You Can Capitalize on Your Vendors

If your vendors don't have enough capital to stay in business, your business can't capitalize on them. Making sure that your subcontractors, suppliers and vendors have good credit standings and enough credit to remain in business provides a degree of certainty that they'll be able to deliver services or goods that you need.

Remember, they are a critical link in your supply chain and your ability to deliver what your customers want and need.

Do a Credit Check When Necessary

Before you begin a major project, order or expansion, decide whether a credit check is necessary. Can you easily switch or substitute the vendor? What kind of history do you have with the vendor? If finding another vendor is difficult or if you're unsure about a new vendor, take the time to do a credit check.

Online Resources for Credit Checks

Dun & Bradstreet is a solid source of credit information on companies. Basic information from the website (<http://sbs.dnb.com>) is free. For more comprehensive information to more than 13 million companies, you can pay a fee.

You may also want to check with one of the major credit reporting agencies, such as Equifax (www.equifax.com), Experian (www.experian.com) or TransUnion (www.transunion.com).

Commercial Code Reports

For companies in the United States, check with the Secretary of State's office for the



vendor's particular state. The office may have a uniform commercial code report on your vendor. These reports are filed when a company is a high credit risk. The report will let you know whether creditors have claims on the vendor's inventory or assets.

Vendor Payment History

Another safeguard is to check the vendor's payment histories with its suppliers. Ask the supplier for references and check them. If possible, visit your vendor's facility to get a sense of how the business is run.

Financial Statements

One of the best security measures is to ask for a copy of the vendor's financial statements or a letter from the vendor's banking institution. This will give you the best sense of their standing and available credit.

Solutions At A Glance...

In summary, this article deals with these issues:

- ☐ Do a Credit Check When Necessary
- ☐ Online Resources for Credit Checks
- ☐ Commercial Code Reports
- ☐ Vendor Payment History
- ☐ Financial Statements