

Strategies for building commercial credit



Paid content

Commercial credit is essential for small business owners. From helping secure loans and lines of credit to negotiating terms with suppliers, a strong credit profile could help open doors to funding.

For small business owners, understanding and effectively managing commercial credit can help establish a foundation for long-term success.

However, good credit can take time to build. As a small business owner, there are a few steps you can take to help strengthen and maintain your business credit score. Here's what to know.

Why do commercial credit scores matter?

As with a personal credit score, your business' credit score can help establish financial credibility serving as a runway for growth.

Your business credit score indicates its creditworthiness – a sign of the business' financial health. When a lender, including a credit card issuer, considers a company's financial standing solid, the more likely they will offer more favorable borrowing terms, such as lower interest rates and higher credit limits. For example, a small business might benefit from early access to credit for purchasing equipment, expanding their capital and hiring more employees.

Many other factors are also taken into consideration when your company applies for financing, so while there's no guarantee, a strong credit profile is a good start.

Steps to establishing commercial credit

A strong commercial credit profile can be helpful in the competitive business landscape. Here are the steps you can take to get started:

1. Register your business

Legally [register your business](#) with the state and federal agencies.¹ That helps separate your personal and business identities. You can also request an Employer Identification Number (EIN) from the Internal Revenue Service (IRS).² It's required to file your business taxes, and banks and lenders may request it.

2. Apply for a Dun & Bradstreet DUNS number

The U.S. Small Business Administration recommends applying for a [DUNS number](#), provided by Dun & Bradstreet (D&B).³ Your business receives a nine-digit identifier that tracks payment history with vendors and suppliers, financial status and public records like liens and judgments against the company. This serves a different purpose and functions differently than traditional credit reporting bureaus like Equifax, Experian and TransUnion.

3. Open a business bank account and apply for a business credit card

Once registered, open a business bank account. Consistently using it for all business transactions can help establish a good financial track record, which helps build creditworthiness.

You may also want to consider applying for a business credit card. If you are approved, a business credit card could be another way to strengthen your company's credit score, but only if you pay at least the minimum due each month. Just like with a personal credit card, however, not paying at least the minimum due each month can hurt your credit score so add the due date to your calendar or set up automatic payments.

4. Establish trade lines with suppliers

Creating credit terms with suppliers could also help build commercial credit. Work with vendors and suppliers to set an agreeable timeframe to pay for goods and services. Having predictable payment deadlines can help a business owner manage cash flow. Like with a credit card, paying vendors on time can also help strengthen your credit score because transactions like that can be reported to credit bureaus, which helps prove your creditworthiness through diversification.

Strong commercial credit may help enable businesses to secure capital, obtain favorable loan and trade terms, invest, grow and navigate the market as time goes by. Building and maintaining financial health can unlock opportunities, and can help enable longer-term stability.

Tips for maintaining a strong commercial credit profile

Once you have established a commercial credit profile, the next step is understanding the best ways to maintain good credit and how your actions may impact your business [credit score](#).⁴ Here are some strategies to help bolster your commercial credit to keep in mind.

Make on-time payments

One of the most critical factors in maintaining a solid credit profile is paying bills on time. Late or missed payments can significantly damage your credit score, signaling financial instability to creditors. Consider setting up reminders or utilizing auto-pay systems to ensure your business meets its financial obligations on time.

Monitor credit utilization

Keeping your credit utilization ratio low can help you maintain a healthy credit profile. High utilization can be seen as a sign of financial instability, potentially lowering your credit score. Regularly review your credit balances and aim to use less than 30% of your available credit, adjusting your spending to maintain this ratio.

Manage debt wisely

Effective debt management is crucial for maintaining a strong credit profile. Keep your debt levels manageable and avoid overextending your business financially. If you have business debt, develop a repayment plan to ensure your debt-to-income ratio remains healthy and attractive to lenders.

Maintain a diverse credit mix

Demonstrating your ability to responsibly manage different types of credit can positively impact your business credit score. Different credit types may include trade credit, credit cards, lines of credit and term loans. Diversity of your credit portfolio can highlight that your business isn't dependent on a single type of credit.

Start building credit now for the future

A strong commercial credit profile is not just about borrowing; it reflects your business's financial responsibility and credibility. Regularly monitoring your creditworthiness and taking steps to maintain it can help strengthen your business, potentially opening doors to financial opportunities.

Learn more about [Verizon's financial services and solutions](#) for small business owners.

The author of this content is a paid contributor for Verizon.

¹ U.S. Small Business Administration, Register your business, accessed January 2024.

² Internal Revenue Service, How to apply for an EIN, accessed January 2024.

³ U.S. Small Business Administration, Establish business credit, accessed January 2024.

⁴ Shopify, Business credit score, accessed January 2024.