

# INCOTERMS CHEAT SHEET



StilFresh

## INCOTERMS 2020



SELLER



1ST CARRIER



ALONGSIDE SHIP



LOAD PORT



DESTINATION PORT



ALONGSIDE SHIP



BUYER WAREHOUSE

| Incoterm | EX WORKS  | AGREED PLACE | PORT OF LOADING | PORT OF DESTINATION | PLACE OF DESTINATION | DESTINATION |
|----------|---|--------------|-----------------|---------------------|----------------------|-------------|
| EXW      | AGREED PLACE  |              |                 |                     |                      |             |
| FCA      | AGREED PLACE  |              |                 |                     |                      |             |
| FAS      | PORT OF LOADING                                     |              |                 |                     |                      |             |
| FOB      | PORT OF LOADING                                     |              |                 |                     |                      |             |
| CFR      | PORT OF DESTINATION                                 |              |                 |                     |                      |             |
| CIF      | PORT OF DESTINATION                                 |              |                 |                     |                      |             |
| CPT      | COST PAID TO PLACE OF DESTINATION                   |              |                 |                     |                      |             |
| CIP      | CARRIAGE AND INSURANCE PAID TO PLACE OF DESTINATION |              |                 |                     |                      |             |
| DPU      | PLACE OF DESTINATION                                |              |                 |                     |                      |             |
| DAP      | DESTINATION   |              |                 |                     |                      |             |
| DDP      | DESTINATION   |              |                 |                     |                      |             |

SELLERS OBLIGATION
BUYERS OBLIGATION
↪ RISK TRANSFER

## LIST OF INCOTERMS

### EXW (Ex Works)

Seller delivers when goods are placed at the disposal of the buyer, not cleared for export and not loaded on any collecting vehicle

### FCA (Free Carrier)

Seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place

### FAS (Free Alongside Ship)

Seller delivers when the goods are placed alongside the vessel at the named port of shipment.

### FOB (Free on Board)

Seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment.

### CFR (Cost and Freight)

Seller delivers the goods on board the vessel and pays the cost of freight to the named destination port

### CIF (Cost, Insurance, and Freight)

Similar to CFR, but the seller also pays for insurance to the named destination port.

### CPT (Carriage Paid To)

Seller pays freight for the carriage of goods to the named destination.

### CIP (Carriage and Insurance Paid to)

Similar to CPT, but the seller also pays for insurance.

### DAP (Delivered at Place)

Seller delivers the goods, ready for unloading, at the named place of destination.

### DPU (Delivered at Place Unloaded)

Seller delivers and unloads the goods at the named place of destination.

### DDP (Delivered Duty Paid)

Seller delivers the goods, cleared for import, and pays all duties at the named place of destination.

## TIPS AND BEST PRACTICE

|                                 |  |
|---------------------------------|--|
| <b>Know Your Strengths</b>      | Assess your company's logistics capabilities. Choose Incoterms that match your strengths.                |
| <b>Evaluate Goods</b>           | Consider the type and value of goods. Select Incoterms that ensure safe and timely delivery.             |
| <b>Consider Transport Modes</b> | Choose Incoterms compatible with your preferred transportation method.                                   |
| <b>Check Regulations</b>        | Understand import and export rules in both origin and destination countries. Ensure Incoterm compliance. |
| <b>Assess Risk Tolerance</b>    | Determine your risk tolerance. Choose Incoterms that align with your risk management strategy.           |
| <b>Consult Experts</b>          | Seek advice from logistics or legal experts for informed Incoterm selection.                             |
| <b>Educate Parties</b>          | Ensure all parties understand the chosen Incoterm and their responsibilities.                            |
| <b>Review Regularly</b>         | Review and adjust your Incoterm choice based on changing circumstances or regulations.                   |
| <b>Document Everything</b>      | Document the chosen Incoterm and all details in the sales contract for clarity and legal certainty.      |

## CLASSIFICATION OF INCOTERMS

- E**-Terms (Departure)
- F**-Terms (Main Carriage Unpaid)
- C**-Terms (Main Carriage Paid)
- D**-Terms (Arrival)

## SEA & INLAND WATERWAY TERMS

- FAS** - Free Alongside Ship (insert name of port of loading)
- FOB** - Free on Board (insert named port of loading)
- CFR** - Cost and Freight (insert named port of destination)
- CIF** - Cost Insurance and Freight (insert named port of destination)

## SAMPLE SCENARIOS AND SUGGESTED TERMS

| Scenario  | Recommended Incoterm | Reason   |
|---|----------------------|--|
| Shipping rare artifacts to a museum                           | DDP                  | Seller should manage all risks, including import duties, to ensure safe arrival.         |
| Importing bulk raw materials for manufacturing                | FOB                  | Buyer has better local knowledge and can get better shipping rates.                      |
| Sending designer clothes to a high-profile fashion show       | DAP                  | Seller covers most costs but buyer manages import and final delivery to venue.           |
| A tech startup exporting its first batch of products          | EXW                  | Startup minimizes risks and costs by only being responsible for goods at their premises. |
| Distributing perishable goods like seafood                    | CIP                  | Seller provides shipping and insurance to ensure goods are handled properly en route.    |
| A collector shipping a valuable painting to an overseas buyer | CIF                  | Seller ensures minimum insurance and freight but risk transfers once on board.           |
| Supplying machine parts to a factory in a remote location     | DPU                  | Seller ensures that goods are unloaded and available for the factory to pick up.         |
| Trading companies with a long-term partnership                | FCA                  | Both parties have clear roles, and risk is transferred at a mutually convenient point.   |
| An online marketplace that facilitates international trade    | FAS                  | Sellers clear the items for export, but buyers have control and responsibility after.    |
| Importing energy drinks for a major sporting event            | CPT                  | Seller takes care of initial freight; buyer manages the rest to ensure timely arrival.   |

## KEY TAKEAWAYS

### Commonly Used Incoterms

- EXW (Ex Works) and DDP (Delivered Duty Paid) are often used for their simplicity; the former minimizes the seller's obligations, while the latter does so for the buyer.
- FOB (Free on Board) and CIF (Cost, Insurance, and Freight) are traditionally popular in maritime transport due to their clear division of costs and risks.

### Significant Changes from Incoterms 2010 to Incoterms 2020

- **Introduction of DPU:** The term DAT (Delivered at Terminal) has been changed to DPU (Delivered at Place Unloaded) to clarify that delivery can occur at any place, not just a terminal.
- **Levelling of Insurance Coverage in CIF and CIP:** While CIF retains the same insurance requirements, CIP has increased the level of insurance coverage, providing better protection to the buyer.
- **Transportation Security:** Enhanced provisions regarding security requirements during transport, reflecting the growing emphasis on security in the transportation sector.
- **Own Transport in FCA:** Under FCA (Free Carrier), there's a new provision allowing the buyer to instruct the carrier to issue a transport document to the seller without the onboard notation, provided they have their own means of transportation.