

4. Incoterms

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Agenda

- Thoughts on the word Incoterms
- The background to Incoterms
- Incoterms' different groups
- Overview of the various delivery conditions
- Case: Immerse yourself in a delivery condition
- Review of all delivery conditions
- Some real events
- Review questions

What is an agreement?

"A legally binding agreement between two natural or legal persons"

- Can be terminated both verbally and in writing
 - Information about the parties' rights and obligations towards each other
 - Written agreements make it easier to prove that an agreement has been entered into and what it contains
- One party makes an offer that the other party accepts



Why do we enter into agreements?

- Risk distribution
- Each party wants to create added value for themselves
 - Buyer-friendly
 - Seller friendly
 - Win-win
 - "Agreement must make clear who is affected by an unfavorable event" • Good contract terms clarify this
 - Poor contractual terms create uncertainty



Thoughts about the word Incoterms?



Incoterms stands for International commercial terms



International standard that regulates freight costs, financial risk and documentation in connection with transport



They also often talk about delivery conditions, shipping conditions, etc.

History

The ICC International Chamber of Commerce was created by a group of traders, financiers and industrialists to create clear international guidelines on who bears the cost responsibility and risk for goods under transport

In 1936, the ICC issues the first version of Incoterms
Incoterms is a recognized regulatory framework that facilitates international trade. The regulations must prevent misunderstandings and disputes

The terms of delivery are revised to adapt to changes in global trade and to make the rules more useful



Choice of delivery terms





- When does the financial risk pass from the seller to the buyer?
 - Important to indicate the location of the transition
- The terms of delivery must be clearly stated on invoices and other documentation

Mode of
transport, cost of
transport and destination

Does shipping take place to/from the EU
or third countries?

Is shipping by train, air, sea, car
or intermodal transport?

Who will pay the shipping cost
and from/to which destination?

Documentation, customs clearance and insurance

- Who is responsible for the documentation such as invoices, certificates, licenses and international waybills?
- Who is responsible for the export and import declaration?
- Who is responsible for the goods being insured? •
Is the insurance sufficient?

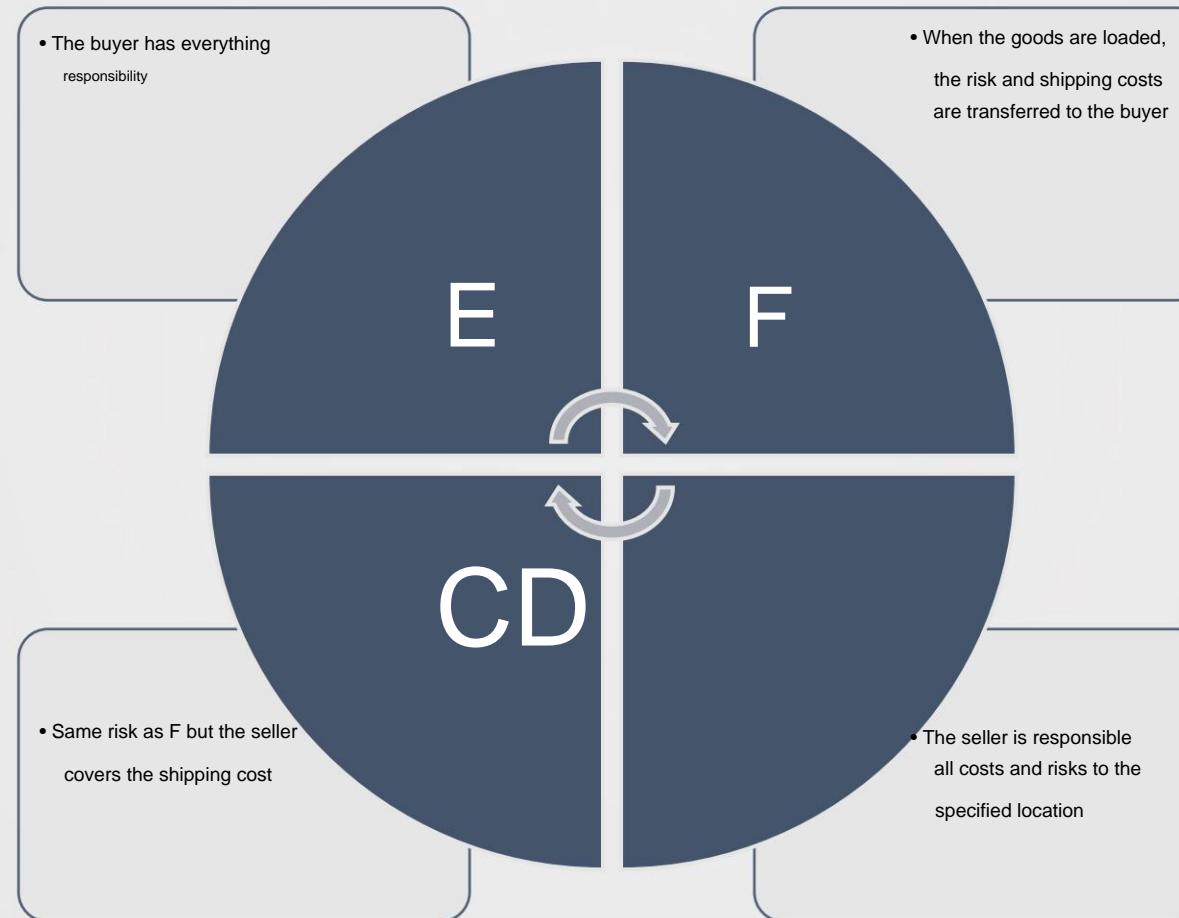
Important questions to ask yourself to find the right delivery terms

In Incoterms, buyers and sellers agree on which delivery terms should apply. To make such a decision, you should know which delivery terms are suitable for your particular company, which are good options and which should be avoided.

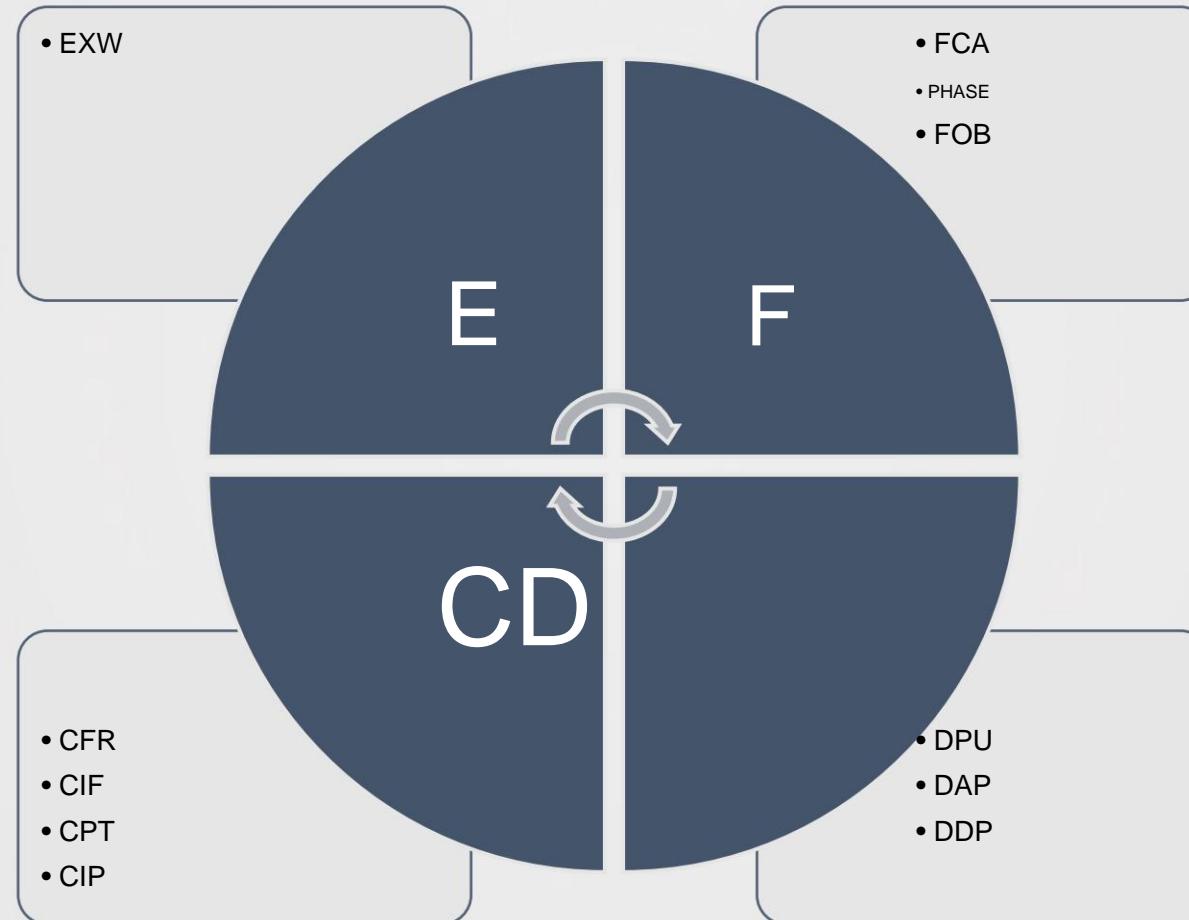
The following questions will help you find the right one:

- What can go wrong during the transport of the goods and what consequences can this have?
- Which costs and areas of responsibility should apply during the transport, and which can we handle?
- Which formalities must apply during the transport, and which can we handle?
- Which delivery conditions have the cost, risk and formality levels that we want to use?
- What insurances do we have in terms of liability, transport and/or the goods, and which ones apply in different cases the scenario?
- Where and when can I as a seller deliver the goods (in terms of costs, risks and formalities)?
- Where and when can I as a buyer receive delivery of the goods (in terms of costs, risks and formalities)?

Incoterms 2020 - The different groups



Incoterms 2020 - The different terms



FAS,FOB,CFR,CIF= sea freight

INCOTERMS 2020

DACHSER
Intelligent Logistics



	Seller	Customs	Loading	Carriage	Named Place	Port	Transport	Port	Named Place	Carriage	Customs	Unloading	Buyer
EXW (Ex Works)	Risk	Cost											
FCA (Free Carrier)	Risk	Cost	Risk										
FAS (Free Alongside Ship)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	SEA FREIGHT
FOB (Free On Board)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	SEA FREIGHT
CFR (Cost and Freight)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	SEA FREIGHT
CIF (Cost, Insurance and Freight)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	SEA FREIGHT
CPT (Carriage Paid To)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	
CIP (Carriage and Insurance Paid to)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	
DAP (Delivered At Place)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	
DPU (Delivered Place Unloaded)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	
DDP (Delivered Duty Paid)	Risk	Cost	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	Risk	



Risk



Cost

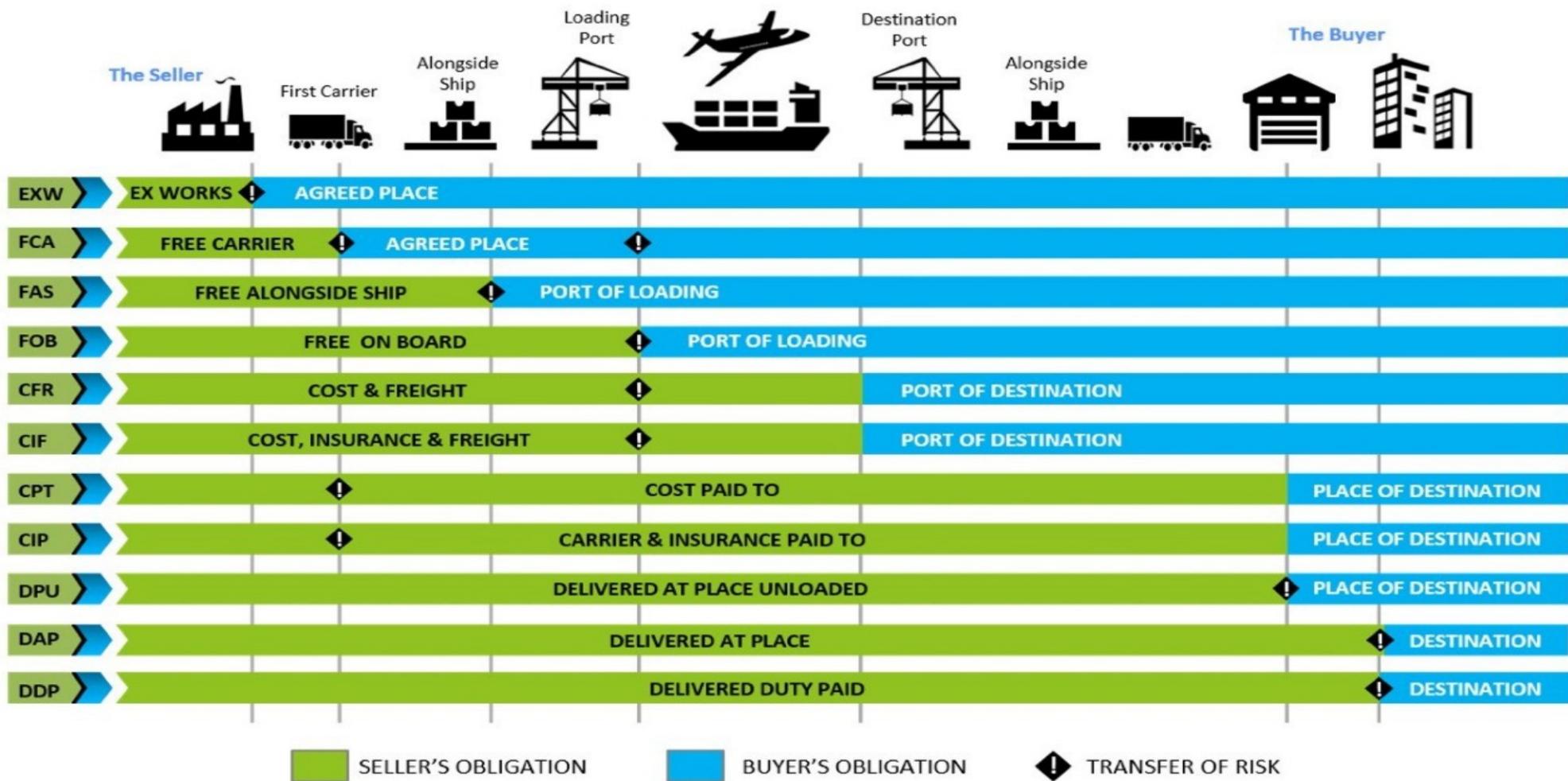


Insurance

All information without guarantee. For details see Incoterms® 2020. Basically, their wording applies.

INCOTERMS 2020

Point of Delivery and Transfer of Risk



Task: read up on two incoterms

- Here you will find the facts
 - <https://adnavem.com/resources/incoterms>
 - <https://www.logistics.dhl/content/dam/dhl/global/dhl-global-forwarding/documents/pdf/glo-dgf-incoterms-2020-brochure.pdf> <https://www.logistics.dhl/se-sv/home/vara-divisioner/global-frakt/kundservice/incoterms-2020.html>
 - [https://www.if.se/foretag/forsakringar/transport insurance/incoterms-2020](https://www.if.se/foretag/forsakringar/transport-insurance/incoterms-2020)

Lathund for Incoterms 2020

För alla transportsätt, bil, flyg, järnväg, sjö, e.t.c.

Leveransvillkor	Fraktkostnad	Risk	Övrigt
EXW Ex Works	Betalas av köparen, inklusive lastning hos säljaren.	Övergår på köparen när varorna är klara för avhämtning hos säljaren.	Ansvaret för exportklarering vilar på köparen. Vilket kan skapa problem för säljaren.
FCA Free Carrier	Betalas av säljaren fram till angiven plats för överlämning till köparens transportör. Betalas därefter av köparen.	Övergår på köparen när varorna har överlämnats till köparens transportör på avtalad plats.	Säljaren skall då det krävs exportklarera godset. Säljaren har endast skyldighet att betala lastning vid eget lager alternativt fabrik.
CPT Carriage Paid To	Betalas av säljaren fram till avtalad plats i destinationsländet.	Övergår på köparen när förste fraktförare har lastat godset.	Köparen är skyldig att import-klarera godset. Köparen bör se till att deras försäkring gäller.
CIP Carriage and Insurance Paid to	Betalas av säljaren fram till avtalad plats i destinationsländet.	Övergår på köparen när förste fraktförare har lastat godset.	Säljaren är skyldig att på egen bekostnad försäkra godset till köparens förmån.
DAP Delivered At Place	Betalas av säljaren fram till avtalad plats i destinationsländet.	Övergår på köparen när godset ställs till köparens disposition ej lossat från transportmedlet.	Köparen har skyldighet att import-klarera godset. Om ingen särskild tidpunkt för överlämning är bestämd, så är köparen skyldig att ta emot godset vid första anmodan.
DPU Delivered at Place Unloaded	Betalas av säljaren fram till avtalad plats i destinationsländet, godset lossat från transportmedlet.	Övergår på köparen när godset ställs till köparens disposition, lossat från ankommande transportmedlet.	Köparen har skyldighet att import-klarera godset. Om ingen särskild tidpunkt för överlämning är bestämd, så är köparen skyldig att ta emot godset vid första anmodan.
DDP Delivered Duty Paid	Betalas av säljaren fram till avtalad plats i destinationsländet.	Övergår på köparen när godset ställs till köparens disposition ej lossat från transportmedlet.	Säljaren är skyldig att import-klarera godset i destinationsländet. Moms och andra skatter bäras av säljaren om inte köpe-avtalet uttryckligen anger annat. Kan ge säljaren stora problem med att hantera moms/VAT i köparens land.

Endast för sjötransport.

Leveransvillkor	Fraktkostnad	Risk	Övrigt
FAS Free Alongside Ship	Betalas av säljaren fram till fartygets sida, levererat på kajen i exportlandet.	Övergår på köparen när varorna är placerade vid placeringen vid fartygets sida.	Säljaren är skyldig att export-klarera godset. Ej lämpligt för container transport.

CIP Carriage and Insurance Paid to	Betalas av säljaren fram till avtalad plats i destinationsländet.	Övergår på köparen när förste fraktförare har lastat godset.	Säljaren är skyldig att på egen bekostnad försäkra godset till köparens förmån.
DAP Delivered at Place	Betalas av säljaren fram till avtalad plats i destinationsländet.	Övergår på köparen när godset ställs till köparens disposition, lossat från transportmedlet.	Köparen har skyldighet att import-klarera godset. Om ingen särskild tidpunkt för överlämning är bestämd, så är köparen skyldig att ta emot godset vid första anmodan.
DPU Delivered at Place Unloaded	Betalas av säljaren fram till avtalad plats i destinationsländet, godset lossat från transportmedlet.	Övergår på köparen när godset ställs till köparens disposition, lossat från ankommande transportmedlet.	Köparen har skyldighet att import-klarera godset. Om ingen särskild tidpunkt för överlämning är bestämd, så är köparen skyldig att ta emot godset vid första anmodan.
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Endast för sjötransport.

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FOB Free On Board	Betalas av säljaren tills varorna är lastade ombord på fartyget i exporthamnen.	Övergår på köparen när varorna är placerade ombord på fartyget i exporthamnen.	Säljaren är skyldig att export-klarera godset. Kan för LCL vara olämpligt ur säljarens synvinkel.
CFR Cost And Freight	Betalas av säljaren tills varorna har nått destinationshamnen, därefter av köparen.	Övergår på köparen när varorna är placerade ombord på fartyget i exporthamnen.	Köparen är skyldig att import-klarera godset. Köparen bör se till att deras försäkring gäller.
CIF Cost, Insurance and Freight	Betalas av säljaren tills varorna har nått destinationshamnen, därefter av köparen.	Övergår på köparen när varorna är placerade ombord på fartyget i exporthamnen.	Säljaren är skyldig att på egen bekostnad försäkra godset till köparens förmån.

OBS! Leveransvillkoret skall alltid följas av namnet på överlämningsorten.
 För leveransvillkor som börjar på E eller F så skall avgångsplatsen anges.
 För leveransvillkor som börjar på C eller D så skall ankomstplatsen anges.

Review of the various delivery terms according to Incoterms 2020

EXW: Ex

Works

-
- EXW means the least obligations for the seller
 - Recommended within Sweden, FCA at international trade
 - The seller is obliged to have the goods ready for collection at specified location but not obliged to load. The seller can bear the buyer's risk and expense
 - The buyer must arrange customs formalities such as export declaration, export licenses and permits and import declaration
 - The buyer is responsible for both risk and transport costs during the entire transport
 - Insurance is taken out by the buyer

FCA: Free Carrier

- Important to indicate the place of delivery. This is where the risk passes to the buyer, e.g. Huskvarnavägen 40, Jönköping, Sweden • The risk passes to the buyer when the goods are loaded on the means of transport. At sea when the goods are loaded in the container
- The seller must arrange and pay for customs formalities in the exporting country, the buyer in the importing country.
- The buyer is responsible for the transport costs and makes an agreement with the carrier
- Any insurance is taken out by the buyer

PHASE: Free Alongside Ship

- The seller's obligations cease when the goods are placed at the ship's side (on a quay or barge) at the agreed port of loading.
- Not recommended for LCL shipping (piece goods) as the goods are loaded into a collection container at a terminal outside the quay. Use FCA instead
- The seller arranges export documentation and export clearance (customs the goods in the exporting country) and possibly licenses, certificates, etc
- The buyer is responsible for risk and transport costs when the goods are placed on a quay in the port of the sending country. It is important to specify the port for the shipment
- The buyer is responsible for import clearance and any insurance
- The buyer contracts with the carrier

F.O.B:

Free on

Board

- The seller delivers the goods on board the vessel specified by the buyer. The risk and transport costs then pass to the buyer.
- The buyer must make an agreement for the transport from the indicated port
- The seller arranges transport until handover on board the ship
- The seller is responsible for export documentation and export clearance
- The buyer is responsible for import clearance and any insurance
- Not recommended for LCL shipping (piece goods) as the goods are loaded into a collection container at a terminal outside the quay. Then FCA is recommended

CFR: Cost and Freight

- The seller is responsible for shipping costs and transport agreements up to the port of destination
- The seller is responsible for export documents and export clearance
- The risk passes to the buyer when the goods are loaded on board the ship
- The buyer arranges import clearance and any insurance
- The buyer can arrange transport from the port in the country of arrival to his door. Also responsible for terminal costs in port of arrival

CIF: Cost, Insurance and Freight

- The seller is responsible for shipping costs and transport agreements until the port of destination
- The seller is responsible for export documents and exports clearance
- The risk passes to the buyer when the goods are loaded on board on the ship in the sending country
- The buyer may arrange for transport from port in the country of arrival at its door. Also responsible for terminal costs in port of arrival
- The seller is obliged to insure the goods according to the ICC, however low insurance coverage. The insurance applies to the agreed destination
- The buyer is responsible for claims for damage or loss. Then to the insurance company the sender took out insurance with
- The buyer arranges for import clearance

CPT: Carriage Paid to

- The seller bears the transport costs until specified destination, e.g. airport, terminal in the recipient country
- The risk passes to the buyer at the specified place of delivery. If no place is specified, the risk passes to the buyer at the first carrier.
- Should the risk pass to the buyer at a later date occasion, it must be stated, for example, airport, port and terminal. This is recommended
- The seller arranges export documentation and clearance
- The buyer arranges for import clearance and possible insurance

CIP: Carriage duck

Insurance Paid to

- Exactly the same obligations and rights as CPT except that the seller is obliged to take out insurance according to the requirements set by the ICC
- The insurance is valid until the agreed destination
- In the event of damage or loss, responsibility for the complaint lies with the buyer

DAP: Delivered at Place

- The seller is responsible for transport costs and risk up to the specified place ready for unloading •

Important to specify the place of transfer of risk • The buyer is obliged to receive the goods at the first request unless otherwise agreed

- The seller is responsible for export documents and export clearance
- The buyer is responsible for all import formalities

DPU: Delivered at Place Unloaded

- The seller is responsible for shipping costs and risk specified destination. The risk passes to the buyer when the goods are unloaded at the destination
- Important to enter exact address for unloading.
Does not have to be the recipient's address but can be a terminal, airport terminal, container depot or other warehouse
- The seller is responsible for all export documentation and export clearance
- The buyer is responsible for import clearance

DDP: Delivered Duty Paid

- DDP entails the most obligations for the seller
- The seller is responsible for transport costs and risk until the agreed destination is ready for unloading
- The seller is obliged to both export and import clearance of the goods.
- The seller is obliged to pay taxes and VAT both for export and import and to fulfill all customs formalities unless otherwise agreed
- The VAT becomes a cost for the seller as the VAT cannot be deducted in the sending country. Likewise for the buyer who is not allowed to include VAT on his goods invoice
- DDP excluding VAT means that the seller renounces paying VAT in the country of destination





Practice questions

1. Runon.se has sold products to Holland with the delivery terms FCA Bankeryd. The goods were sent with Runon's carrier and the customer had to pay the shipping cost via the invoice. When the goods arrived the recipient what it damaged. At whose risk has the transport been?
2. The bathroom wholesaler sells to all Nordic countries with the condition DDP. A customer in Ålesund, Norway claims that the sender must pay VAT when importing into Norway. What's the deal? Should the bathroom wholesaler pay?
3. Broddson has sold a machine to Brazil with the delivery term CIF Sao Paulo. The container was accidentally unloaded in Montevideo, Uruguay. The container was sent by another ship to Sao Paolo. To get the goods out, the buyer had to pay 5000 usd for the final transport and transshipment. Now the buyer wants Broddson to reimburse the extra cost. the freight to the "CIF is included destination" What applies?

Answer practice questions

1. Runon.se has sold products to Holland with the delivery condition FCA Bankeryd. The goods were sent with Runon's carrier and the customer had to pay the shipping cost via the invoice. When the goods arrived the recipient what it damaged. At whose risk has the transport been?

Answer: The risk passes to the buyer when the goods have been loaded onto the means of transport. The risk is the buyer's. The fact that the seller has ordered transport does not affect the transfer of risk, but the seller must be helpful with the complaint

Answer practice questions

2. The bathroom wholesaler sells to all Nordic countries with the condition DDP. A customer in Ålesund, Norway claims that the sender must pay VAT on import into Norway. What's the deal? Should the bathroom wholesaler pay?

Answer: VAT is an import fee to be paid at DDP by the seller. It is possible to negotiate away, but then it must be written into the agreement (DDP excl Vat)

Answer practice questions

3. Broddson has sold a machine to Brazil with the delivery term CIF Sao Paulo.

The container was accidentally unloaded in Montevideo, Uruguay. The container was sent by another ship to Sao Paolo. To get the goods out, the buyer had to pay 5000 usd for the final transport and transshipment. Now the buyer wants Broddson to reimburse the extra cost.

CIF includes the freight to the destination" What does it apply to?

Answer: In the case of CIF, the seller must sign a transport agreement on customary terms and route. The risk for the goods passes to the buyer when the goods are loaded on board the vessel. The risk includes delays and extra costs. The buyer is responsible for advertising with the help of the seller. However, the seller has no responsibility regarding the complaint.

Practice questions

- 1. Explain the difference between the terms of delivery EXW and FCA**
 - 2. Explain the difference between the terms of delivery FAS and FOB**
 - 3. Explain the difference between the terms of delivery DAP and DDP**
-

Answer practice questions

1. Explain the difference between the terms of delivery EXW and FCA

Response:

In the delivery terms EXW, all responsibility lies with the buyer. The buyer must arrange all documents and customs clearance, also in the sending country. The risk passes when the goods are available for loading at the seller. The seller is not obliged to load the goods. In FCA, the seller must load the goods and arrange all documents and customs clearance in the sending country. The risk passes to the buyer when the goods are loaded on the first transport carrier. The difference is that the transfer of risk differs and who is responsible for the documentation and customs clearance. The transport cost is the same for both delivery conditions

2. Explain the difference between the terms of delivery FAS and FOB

Response:

The difference arises in the transition of risk. In FAS, risk and cost responsibility are transferred to the buyer when the goods are at an agreed berth in the sender's country. In FOB, risk and cost responsibility are transferred to the buyer when the goods are loaded on board the vessel.

3. Explain the difference between the terms of delivery DAP and DDP

Response:

In DDP, the seller is responsible for the import declaration and is obliged to pay duty and VAT in the recipient country. It does not apply in DAP. In both delivery conditions, the seller bears the risk and transport costs up to the agreed destination

Konsten att balansera motståndskraft, hållbarhet och effektivitet

AV RICHARD VAN DER MEULEN

Alla försörjningskedjor strävar idag efter att vara motståndskraftiga, hållbara och effektiva. Den senaste tidens utveckling visar att alla dessa tre egenskaper är nödvändiga och icke förhandlingsbara. Men hur hanteras detta i praktiken, hur kan vi lyckas i alla tre avseenden?



You can find the article on Classroom

Aspect of supply chain management	Impact		
	Resilience	Sustainability	Efficiency
Increase in inventory and capacity buffers	↑	↓	↓
Increase in lot sizes (production, transport)	↓	↑ Though not too high that it creates write offs	↑ Though not too high that it creates write offs
Increase in manufacturing network diversification	↑	↑↓ Increases effort but also opportunity to minimise impact	↓ More sites mean less consolidated production
Increase in multisource	↑	↑↓ Increases effort but also opportunity to minimise impact	↓ More suppliers mean less purchase power
Increase in nearshoring	↑	↑ Reduction in transport cost/CO ₂	↑↓ Reduction in transport cost but potential of set by increase production cost
Increase in platform, product or plant harmonization	↑	↑ Potential to rationalise and standardise	↑ Potential to rationalise and standardise, though there is cost to these efforts
Increase in strategic partnership and collaboration	↑	↑ Essential to ensure improved ESG across the SC	↑↓ Reduction in transport cost but potential of set by increase production cost
Increase in (real-time) visibility and traceability	↑	↑	↑

Read and discuss:

1. What is meant by the various challenges raised in the text? a)

Goal conflicts b)

Silo thinking c)

"Legacy" deficit

2. Study and interpret the various action proposals in the table. Why do the various measures increase or decrease the resilience, sustainability and efficiency of the supply chain?

Aspect of supply chain management	Impact		
	Resilience	Sustainability	Efficiency
Increase in inventory and capacity buffers	↑	↓	↓
Increase in lot sizes (production, transport)	↓	Though not too high that it creates write offs Though not too high that it creates write offs	↑
Increase in manufacturing network diversification	↑	Increases effort but also opportunity to minimise impact Increases effort but also opportunity to minimise impact	↓ More sites mean less consolidated production
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Increase in nearshoring	↑	Reduction in transport cost but potential of set by increase production cost	↑ Reduction in transport cost but potential of set by increase production cost
Increase in platform, product or plant harmonization	↑	Potential to rationalise and standardise	↑ Potential to rationalise and standardise, though there is cost to these efforts
Increase in strategic partnership and collaboration	↑	Essential to ensure improved ESG across the SC	↑ Reduction in transport cost but potential of set by increase production cost
Increase in (real-time) visibility and traceability	↑	↑	↑

Konsten att balansera motståndskraft, hållbarhet och effektivitet

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Alla försörjningskedjor strävar idag efter att vara motståndskraftiga, hållbara och effektiva. Den senaste tids utveckling visar att alla dessa tre egenskaper är nödvändiga och icke förhandlingsbara. Men hur hanteras detta i praktiken, hur kan vi lyckas i alla tre avseenden?