

Incoterms

when working with a distributor

Protecting your brand and product with incoterms.

Logistics doesn't have to be a maze.

Introduction

It's exciting when an international distributor agrees to buy and sell your goods abroad. Especially as the UK faces economic turbulence, international growth can be the perfect solution for your growing business.

A lot of companies we work with are keen to sell Ex-Works, mainly as it appears to be the hassle-free way to sell your goods, as international shipping can seem daunting.

However, there are benefits to exporting on different incoterms, including the possibility of making more money from a sale. There's also added customer

service value in assuming more responsibility.

Ultimately every business is different and deciding the incoterms you agree to for sales is ultimately down to your business strategy, your risk appetite and your team.

This guide outlines some of the things we have seen regarding incoterms over our 110-year history.



Choosing the right incoterms

So, what is Ex-Works?

It's an international trade agreement in which the seller makes a product available at a designated location (often their warehouse or factory), and the buyer (in this case a distributor) is responsible for all the logistics and costs thereafter.

But what does it mean for you?



You will need to safely package the goods for international shipping.



You will need to have them labelled appropriately.



You will have to get the goods ready for collection (ensuring easy access).



You will have to ensure the correct export licence and all paperwork in place.



What risks are the distributor picking up?

Once the distributor has the goods in their possession, ie collection has taken place from the agreed location, it is up to them legally to cover any expenses and account for any risks associated with your goods.

Risks might include:

- Loading products onto a truck
- Transferring to a ship or plane
- Dealing with customs
- Unloading at the destination.



What are my incoterm options?

Types of transport	Any mode(s) of transport		Sea and inland water only				Any mode(s) of transport				
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
Incoterms 2020	Ex-works (place)	Free Carrier (place)	Free Alongside Ship (port)	Free on Board (port)	Cost and Freight (port)	Cost, Insurance & Freight (port)	Carriage Paid To (place)	Carriage & Insurance Paid To (place)	Delivered At Place (place)	Delivered & Unloaded at Place (place)	Delivered Duty Paid (place)
Transfer of risk	At buyer's disposal	On buyer's transport	Alongside ship	Alongside vessel	On board vessel	At carrier	At carrier	At named place	At named place unloaded	At named place	
Responsibilities and charges											
Export packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to port/place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export duty, taxes and customs clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin terminal handling charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	Seller	Negotiable	Seller	Negotiable	Negotiable	Negotiable
Destination terminal handling charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import duty, taxes and customs clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

Risks we see with Ex-Works

- Distributors will factor in the international logistics costs when negotiating prices from you. Ultimately most distributors will use a freight forwarder to manage this process and will add a fee for their own management on top. Ultimately, the distributor will factor these additional costs into their purchase price. It is often more profitable when you can sell at a higher price and add delivery costs yourself.
 - Even though legal responsibility will sit with the distributor, they rely on you, the seller for accurate information for customs clearance. So, you will still need to be involved in the process.
 - If you sell with a letter of credit or documentary sight, for example, you need to have control over the international Bill of Lading for receiving payment from the bank. However, in Ex-Works the exporter doesn't have a say in the preparation of these documents. So, if there is an error the buyer is under no obligation to you to rectify the mistake. So, you may have to pay a discrepancy fee or risk not being paid at all.
- In Ex-Works the distributor is at risk of damage or loss of goods in transit. But the seller often loads the goods as a common procedure, but it is the buyer who bears responsibility for damage to the goods. This may feel like a win, win situation but when issues arise it can lead to relationships with suppliers being quite vulnerable, and we have seen liability arguments arise that can jeopardise important revenue-generating relationships.
 - Typically, shipping with Ex-Works just isn't great service for your customer compared to the other incoterms.
 - Under Ex-Works the buyer is responsible for customs clearance. However, a lack of understanding of the product by the buyer can cause customs issues, and the exporter can be penalised for violations despite responsibility sitting with the buyer, if they blame the information provided.
 - When you work with some distributors and large supermarkets, despite being Ex-Works or FOB, their t&cs state that all costs associated with shipping will be passed back to the supplier. This includes customs costs etc, but also demurrage costs and any truck waiting times that occur, which are outside of your control. It can make predicting profits difficult.
 - For each new market you enter, you will work with a new distributor and ultimately a new freight forwarder. You will need to recreate documents and share information time and again, and ultimately likely to face more issues as you won't be working with the same trusted partner time and again.



Exploring

Free on Board (FOB)

As a comparison, here we explore a couple of alternative common incoterms to demonstrate the difference they can have for your business.

Free on Board (FOB) is an incoterm where responsibility and risk of the shipment transfers once the goods are on board the carrier vessel.

FOB is only applicable for sea freight shipments.

The seller controls the transportation all the way to the point at which it is loaded on to the vessel which will transport it to the destination port. Once loaded, all cost and risk is passed to the buyer.

The goods are loaded by the seller at their warehouse and onto the vessel, at their own risk.

All exporting formalities, including customs clearance should be conducted by seller's freight forwarder to ensure compliance and minimal additional costs such as demurrage charges. Between them, the seller and their freight forwarder have good knowledge of the product and customs formalities, meaning the process should move smoothly.

With FOB incoterms, a large part of the logistical cost is still on the buyer, meaning they will factor those additional costs into their price and likely charge a fee for the handling.

The seller has no control over the goods once they are on the ship, so cannot be as confident they will arrive in pristine condition or be insured. Trust is placed in the buyer's logistical process from that moment.



Exploring

Carriage Paid To (CPT)

Carriage Paid To is an incoterm denoting that the seller incurs the risks and costs associated with delivering goods to a carrier at an agreed-upon destination.

Cost & Freight (CFR) is a common and very similar incoterm to CPT, except applying only to sea freight shipments.

The seller controls the transportation all the way to the destination point, with the risk passed over to the buyer when goods are handed over in the country of destination (usually at a port or airport).

The goods are loaded by the seller, at their own risk.

The seller uses a freight forwarder they trust, to negotiate the lowest rates, but also ensure compliance and minimal hold-ups so there are no additional costs such as demurrage charges.

Seller has most of the control over the logistics of the shipment, meaning better customer service.

Having access to the freight forwarders visibility platform not only means you have a storage platform for all your documents linked to each journey, but you have access to real-time data, able to track your goods in transit.

The shipment is no longer considered a routed export transaction, eliminating the additional compliance burdens that such a designation would require (US exports only).

If selling under a letter of credit, sight, or time draft, the exporter will control international transport, and thus, the documentation needed to receive payment from the bank.

If you have a strong brand and ESG strategy a freight forwarder's platform should allow you to easily access carbon emissions per job, as well as work with you to offset carbon emissions.





Your supply chain partner

Advise on destination rules, regulations, infrastructure etc

Monitor carrier's performance:

- Freight rates
- Lead times
- Availability
- Reliability

Arranges, negotiate and manages different transport methods depending on shipping and requirements

Provides shipment visibility and live updates, to ensure you can update your customer

Advises on incoterms and HS codes

Manages customs clearances and required paperwork

Sustainability, ESG and carbon reporting planning

Arranges insurance

About WTA Group.

Logistics doesn't have to be a maze.

You want low rates, but also a minimised final invoice and a fully optimised supply chain. You want 5* customer service but backed by a powerful tech platform.

You want WTA. Start your journey with us today.

WTA are a 110-year-old family-owned freight forwarding company. Our innovative platform allows us to provide a strategic, data-driven solution to international supply chains. And our team provides a customer experience that outperforms the norm of our competitors.



Excellent 

Rated 4.7 out of 5 on  Trustpilot

"I very much value our working relationship with **WTA** for both their expertise, and flexibility, and for always going the extra mile. A safe pair of hands, from high-security titles to everyday freight". [Penguin Random House, UK](#)

I have worked with WTA for three years. The service they provide is fantastic and I feel that they apply an approach in which our business is their business. They are very adaptable at dealing with change and assisting with last-minute transport requirements. Account management is second to none. We had a truly open, collaborative relationship that has helped improve service, cost and continuous improvement". [Rebecca Johnson, Logistics Manager, Silver Spoon](#)

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