Incoterms Explained

A plain-English guide to EXW, FOB, CIF, DDP, and what each means for your liability.

Incoterms (International Commercial Terms) define exactly when responsibility for freight, insurance, and customs clearance transfers from seller to buyer. Choosing the wrong Incoterm can leave you liable for costs or risks you didn't expect. This guide explains the most common terms used in US import transactions.

The Most Common Incoterms for Importers

Term	Seller Responsible For	Buyer Responsible For
EXW (Ex Works)	Making goods available at their facility	Everything: pickup, export, freight, import, customs
FOB (Free on Board)	Delivery to port, export clearance, loading	Ocean freight, insurance, import customs
CIF (Cost, Insurance, Freight)	Freight + insurance to destination port	Import customs, duties, final delivery
DDP (Delivered Duty Paid)	Everything including import duties and delivery	Receiving goods only
DAP (Delivered at Place)	Delivery to named destination, excluding duties	Import clearance and duties only

Why This Matters for First-Time Importers

Suppliers will often default to whichever Incoterm is most favorable to them — typically EXW or FOB, which shifts most of the risk and cost to you as the buyer. Before signing a purchase order, confirm exactly which Incoterm applies and understand what it means for your total landed cost.

A Common Mistake

Many first-time importers assume 'FOB' means the supplier handles everything until delivery. In reality, FOB only covers freight to the port — you are responsible for ocean freight, insurance, US customs clearance, duties, and final delivery once goods arrive. This is one of the most common sources of unexpected costs.

Advante reviews your purchase agreements and Incoterms before your first shipment to ensure you understand exactly what you're responsible for — and to identify if a different Incoterm would better protect your business.

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