

**Maximizing Impact of Incoterms**

# **Are you using Incoterm for better negotiation, & finance impact?**

**Let's check how Incoterms, beyond logistics,  
influence negotiation, finance, and how we can  
optimize them for financial & negotiation outcomes.**



**Karima**

**Procurement Value for Growth**

**Swipe to discover more >**

**1**

# **Incoterms: A Strategic Procurement Tool**

**Incoterms impact negotiation, finance, and procurement value.**

**If we understand their influence on cash flow and negotiation, we can optimize our financial position and achieve favorable negotiation outcomes.**

# **The Key for us : Timing & Leverage**

**Incoterms dictate cost timing!**  
**cost timing refers to when the money leaves our company's bank account.**

**It's not just about how much we pay, but when we pay it.**

**---> This directly impact cash flow and working capital!**

**If we understand this we will be able to leverage the Incoterm**

**Let's learn about how they impact us!**

# Incoterms & Cost Timing?

## Early Cost Timing: EXW, FCA, FAS

Buyer pays for most of the journey from the start. Costs like pickup, export, main shipping, import, and delivery all hit your books early.

Impact: lower initial price, but large upfront costs. Strains cash flow

## Mid Range Cost Timing: FOB, CFR, CIF, CPT, CIP

costs are split. Buyer pays for the main shipping and import. Some costs hit your books in the middle of the journey.

Impact: balances cost and responsibility. Moderate impact on cash flow."

## Late Cost Timing: DDP, DPU

Seller pays for almost everything until delivery. Most costs hit your books at the end.

Impact: higher initial price, but fewer upfront costs. Frees up cash flow.

# Early Cost Incoterms: EXW, FCA, FAS - Negotiation Implications

**EXW (Ex Works):** Buyer handles all logistics from the supplier's location.

**Lowest initial price, highest overall cost.**

**FCA (Free Carrier):** Supplier delivers goods to a specified carrier. Moderate initial price, moderate overall cost.

**Both require significant upfront cash outlay for the buyer.**

**FAS (Free Alongside Ship):** Supplier delivers goods alongside the ship at a named port. Buyer responsible from that point.

**All require significant upfront cash outlay for the buyer.**

**Leverage strong logistics capabilities to negotiate lower initial prices.**

**Negotiation focus:** Securing the lowest possible initial price, but be prepared for high logistical costs.

# Mid Range Incoterms: Balancing Costs & Negotiation Flexibility

Focus on defining delivery points and cost breakdowns clearly.

**FOB (Free on Board):** Supplier delivers goods onto a ship. Buyer handles costs from that point.

**CFR (Cost and Freight):** Supplier pays for shipping to a named port. Buyer handles costs from that point.

**CPT (Carriage Paid To):** Supplier pays for shipping to a named place. Buyer handles costs from that point.

**CIP (Carriage and Insurance Paid To):** Supplier also pays for insurance to the named place.

Moderate initial price, moderate overall cost for the buyer.

**Negotiation focus:** Clear definition of delivery points, insurance details, and cost breakdowns & risk sharing.

## Delayed Cost Incoterms: DDP, DPU - Negotiation Advantage

Delayed cash outlay frees up working capital.

**DDP (Delivered Duty Paid):** Supplier handles all costs, delivers to buyer's location. Highest initial price, lowest overall effort.

**DPU (Delivered at Place Unloaded):** Supplier delivers & unloads goods at a named place. Buyer handles customs.

Delayed cash outlay, freeing up working capital.

**Negotiation focus:** Ensuring all costs are transparently included in the DDP/DPU price. Leverage reduced risk and logistical burden to negotiate better payment terms.

# Timing & Negotiation: A Direct Link

**Incoterms dictate payment timing, directly influencing our negotiation power.**

**Early payments (EXW) may offer leverage for price reductions.**

**Delayed payments (DDP) shifts leverage towards the buyer, enabling better payment terms**

**Different Incoterms influence cash layout timings, managing cash flow effectively.**

**Different Incoterms dictate when a buyer must lay out cash. This timing is crucial for managing cash flow effectively.**

**EXW: upfront costs=less cash.**

**DDP: delayed costs = more cash.**

# Leveraging Incoterms for Negotiation Advantage

**Demonstrate your understanding of Incoterms to gain credibility.**

**Use your logistics teams as a bargaining chip.**

**Align Incoterms with the overall negotiation strategy.**

**Prepare cost comparisons of various Incoterms to strengthen your position.**

**Incoterms are not just about cost allocation, they are a key negotiation lever.**

**Understanding our leverage (logistics capabilities, market knowledge, ...) allows for strategic Incoterm selection.**

**Negotiate Incoterms alongside price, payment terms, and quality.**

# Cash Flow & Negotiation: Strategic Alignment

**Align Incoterms with cash flow and negotiation goals.**

**For tight cash flow, use DDP to negotiate extended payment terms.**

**For strong logistics, you can use EXW to negotiate lower prices.**

**Align Incoterms with cash flow patterns to choose terms that suit your financial situation.**

# **Incoterms: A Strategic Financial Lever**

**They're more than shipping terms—they're financial tools.**

**Strategic selection can significantly impact your financial health & use them strategically to :**

- 1. improved cash flow,**
- 2. reduced working capital needs,**
- 3. stronger negotiation positions.**

**Consult with finance and legal to ensure alignment and maximize benefits.**

# Incoterms: Navigate Your Shipping Costs!

Incoterms affect costs and control

1

## EXW (Ex Works)

Goods at supplier's site. Buyer handles all else.

2

## FCA (Free Carrier)

Supplier delivers to carrier. Buyer takes over from there.

3

## FAS (Free Alongside Ship)

Supplier delivers goods to port. Buyer ships onward.

4

## FOB (Free on Board)

Goods on deck. Buyer covers shipping from port.

5

## CFR (Cost and Freight)

Supplier ships to port. Buyer handles from port.

6

## CIF (Cost, Insurance, and Freight)

Supplier ships and insures to port. Buyer takes it from port.

7

## CPT (Carriage Paid To)

Supplier ships to place. Buyer takes over there.

8

## CIP (Carriage and Insurance Paid To)

Supplier handles shipping and insurance to place.

9

## DAP (Delivered at Place)

Supplier delivers to location. Buyer manages unloading.

10

## DPU (Delivered at Place Unloaded)

Supplier delivers and unloads. Buyer clears customs.

11

## DDP (Delivered Duty Paid)

Supplier covers all costs to buyer's doorstep.



Karima

Procurement Value for Growth



# Empower Procurement

Select the right Incoterms to improve cost management.

**Maximize your financial health !**



**Karima**

**Procurement Value for Growth**

