

GLOBNEXIA

GLOBAL TRADE PLATFORM

The Ultimate Guide to Incoterms 2020

A practical reference explaining how risk, cost, and delivery responsibility move between buyer and seller under common trade terms.

Prepared for sourcing, supplier review, and trade planning conversations.

Updated

Updated May 2026

Sections

5

Access

globnexia.com/resources

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How to use this document

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At a glance

Sections: 5

Updated: Updated May 2026

Format: downloadable PDF + online

Why Incoterms Matter

Incoterms help define where delivery happens, where risk transfers, and which party handles specific logistics tasks. They do not replace a full contract, but they reduce ambiguity in routine trade execution.

When Buyers Prefer EXW or FOB

- EXW offers maximum buyer control but requires stronger origin coordination.
- FOB is often preferred when buyers want the supplier to handle export-side movement up to vessel loading.
- These terms are useful when the buyer already has freight and forwarding control.

When Buyers Use CIF or DAP

- CIF can simplify ocean shipment procurement but still requires careful review of freight assumptions.
- DAP can work when buyers want more door-side coordination without owning every logistics step.
- These terms can be convenient, but buyers should confirm what is and is not included.

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Common Mistakes

- Using an Incoterm without matching it to the transport mode.
- Assuming customs duties are included when they are not.
- Failing to clarify insurance expectations.
- Treating the term as a substitute for packaging, quality, or payment clauses.

Best Practice

Choose the term based on control, internal logistics capability, and dispute prevention. The best Incoterm is not always the most familiar one; it is the one that matches how the shipment will actually be executed.