

EXW (Ex Works): Ex Works – the Incoterm clause with maximum buyer responsibility

EXW (Ex Works, English: ex works) is a delivery term from the Incoterms rules of the International Chamber of Commerce (ICC). It stipulates that the seller only makes the goods available at his place of business or works and that all further steps – loading, transport, export clearance, insurance and import formalities – are the buyer's responsibility. In practice, this means the buyer carries the highest degree of responsibility and risk of all eleven Incoterms clauses.

Key facts

- Under the Incoterms 2020, EXW is the only clause in which both loading costs and export clearance are fundamentally the buyer's responsibility.
- Risk passes as soon as the goods are made available at the seller's works or warehouse, not only upon handover to the carrier.
- Buyers should choose EXW only if they have their own logistics expertise, import/export processes and reliable freight forwarding partners.
- Under EXW, transport costs and all downstream costs are not included in the purchase price and must be calculated separately for the Total Landed Cost (TLC).
- In practice, the variant “EXW loaded” is often agreed in order to contractually transfer loading responsibility clearly to the seller.
- EXW is also valid for purely domestic deliveries and is by no means limited to international trade.

Definition: EXW (Ex Works)

EXW is one of the eleven Incoterms clauses and denotes delivery “ex works”: the seller fulfils his delivery obligation as soon as he makes the goods available to the buyer at a named place (typically his works, warehouse or place of business). Loading, transport, insurance and customs services on the seller's side are fundamentally not owed.

Seller obligations under EXW

The seller's obligations under EXW are deliberately kept minimal. He must deliver the goods in accordance with the contract, package them properly – where agreed or customary in the trade – and provide the buyer with the information required for collection as well as for export and import. He must also inform the buyer of the time and place of availability. Export clearance is not among his obligations; in countries where the buyer cannot handle the export formalities, EXW is therefore unsuitable and another clause such as FCA is to be preferred.

Buyer obligations under EXW

Under EXW, the buyer organises and pays for all transport routes from the seller's works: loading, transport to the seaport or border, export clearance, main transport insurance, import clearance and delivery to his own works or warehouse. He bears the risk from the moment of availability. In

procurement practice this requires a careful sourcing strategy and a smart negotiation procedure, as supposedly favourable ex-works prices are quickly relativised by high downstream transport costs.

EXW versus FCA (Free Carrier)

Since the Incoterms 2010, the ICC has recommended using the FCA clause instead of EXW for container and consolidated shipments. The key difference: under FCA, the seller handles export clearance and hands over the goods to the carrier, which governs risk transfer and cost allocation more clearly. Under EXW, the buyer already bears the risk between loading and handover to the carrier – an often underestimated risk which can be addressed in a Risk Mitigation Plan.

Cost impact and calculation: why EXW prices must be compared

At first glance, EXW appears attractive to buyers because the quotation price seems low. In fact, however, EXW merely shifts costs and effort from the seller to the buyer – the true price only emerges from a consideration of all routes and services.

Total Landed Cost (TLC) as the basis for decisions

For a meaningful supplier comparison, buyers must calculate the Total Landed Cost (TLC): that is, the purchase price ex works plus loading costs, domestic transport, port charges, duties and import charges, insurance and internal handling and administration costs. Only then can EXW quotations be compared fairly against CIF, DAP or DDP quotations from the same or other suppliers. A structured Spend Analysis and master data management with uniform terms fields in the ERP sustainably support this comparison calculation.

Transport costs and own collection

Under EXW, the buyer determines the mode of transport, the carrier and the route himself. This opens up savings potential if the buyer has consolidated shipments, his own fleet or framework agreements with freight forwarders. At the same time, there is own effort and dependency on the supplier's collection date: delayed availability causes lorry waiting times or partial deliveries with cost-relevant knock-on effects. In practice, buyers should contractually fix agreed availability and loading windows and monitor compliance via stock KPIs and supplier evaluations.

Applicability in the domestic market

EXW is not limited to export business. The clause is also valid for domestic deliveries within Germany, Austria or Switzerland and is frequently used for collection deliveries, call-off orders from safety stock or plant/service orders. Even so, buyers should check whether an umbrella clause such as DAP (Delivered at Place) is more efficient for the supply relationship in question, especially for low values or sensitive goods.

Logistics and operational implementation

The operational handling of EXW transactions requires coordinated processes across procurement, logistics, customs and accounting from the buyer. Anyone with weak interfaces here quickly loses the cost advantages of own collection.

Availability, collection and transfer of risk

The central moment is availability: the seller must make the goods available at the agreed place and at

the agreed time and notify the buyer in good time. From this point on, the buyer bears the risk of damage or loss – even if the goods are still unloaded at the works. It is practically relevant to clarify who loads: the pure EXW clause does not provide for a loading obligation of the seller; the abbreviation “EXW loaded” or supplementary contract clauses create clarity here and deliberately shift loading responsibility to the seller.

Customs and export formalities

In cross-border EXW transactions, the buyer must organise export clearance in the seller's country. This presupposes that he can act as exporter there – often via engaging a freight forwarder with customs expertise or a direct or indirect representative. If such a solution is lacking, EXW is unsuitable and FCA is to be preferred. Pre-declaration, commercial invoice creation and the question of origin rules are also part of the planning and should form part of the Risk Mitigation Plan.

Integration into procurement processes

In day-to-day operations, EXW generates additional coordination effort: collection orders must be communicated to the freight forwarder, availability dates monitored and goods receipts reconciled with the order and invoice. The classic Three-Way Match (order – goods receipt – invoice) also works under EXW, but requires clean recording of the goods receipt at the buyer's own dispatch warehouse. For changed quantities or dates, a clear change-order process with the supplier is indispensable in order to cleanly follow up on partial deliveries/residual quantities.

Key KPIs and control variables under EXW

Since the buyer controls the logistics himself under EXW, classic procurement and logistics KPIs are particularly well suited to monitoring this clause. They make the hidden costs and process risks of ex-works delivery visible.

Delivery and availability performance

Delivery reliability measures whether the supplier makes the goods available at the agreed availability date in the agreed quantity. In practice, values above 95 per cent are considered acceptable, above 98 per cent very good. If the availability date and quantity deviate, downtime, production interruptions or residual quantities arise. Particularly under EXW, a separate consideration of delivery date and quantity accuracy is recommended so that causes can be specifically attributed to the supplier or to the buyer's own collection organisation.

Cost and process KPIs

In addition to delivery reliability, supplementary KPIs are helpful: the accuracy of accompanying documents, the damage rate in own-account transport and the differences between calculated and actually incurred transport costs. Anyone evaluating these values regularly recognises whether EXW terms are genuinely advantageous in individual cases or whether a switch to FCA or DAP would be more efficient. Reconciliation with consumption forecasts also helps to align safety stock and scheduling with the longer lead times of own collection.

Risks and controls under EXW

EXW consistently shifts risk and effort to the buyer. Without suitable control mechanisms, disruptions in the supply chain, unclear liability situations and cost overruns loom.

Typical risks

The main risks lie in four areas: first, transfer of risk already upon availability, i.e. before loading and handover to the carrier. Second, export clearance, which in some countries cannot be done by the foreign buyer, or only with difficulty. Third, dependency on the supplier's punctual availability, which can destabilise the buyer's own production and transport plans. Fourth, risk scenario planning: strikes, port closures or traffic disruptions on the buyer's side fully affect the buyer under EXW, without the supplier organising substitute logistics.

Contractual and organisational controls

Clear contract texts with defined availability locations and windows, documented loading agreements and a defined quality management at the works gate – such as agreed Quality Gates or an incoming goods inspection before loading – have proven themselves as controls. In addition, a Risk Mitigation Plan should name alternative collection scenarios and substitute freight forwarders. Where critical components are affected, a Strategic Alliance with the supplier or closer coordination via Supplier Co-Innovation can improve availability quality; Supplier Enablement, i.e. the active connection of the supplier to procurement and logistics processes, considerably reduces friction losses.

Legal notes

The Incoterms rules are voluntary standard terms: they only take effect if the parties expressly agree them in the contract of sale, e.g. "EXW Works Sampletown, Incoterms 2020". They govern the allocation of costs and risk, but not the transfer of title, payment terms, warranty or liability limits – these points must be regulated separately in the contract. Tax questions such as the VAT treatment of the collection delivery should be examined on a case-by-case basis with tax and legal advisers.

Current developments and typical use cases

The Incoterms rules were last updated with the 2020 version; nothing changed in the basic logic of EXW. In procurement practice, however, the areas of application and accompanying circumstances are shifting.

Use cases in the supply industry

EXW is frequently found in the DACH industry with locally based suppliers that are easy to collect from, with bulky goods which the buyer has collected with special vehicles, or in transactions where the seller has no export expertise. Ex-works handover is also common in Toll Manufacturing, i.e. contract manufacturing in third-party facilities, because the client supplies the raw materials and collects the result ex works. For plant/service orders, by contrast, EXW is usually unsuitable; project-related clauses such as DAP or DDP dominate here.

Digitalisation and sustainability

Digitalised procurement platforms facilitate the handling of EXW transactions by exchanging collection orders, status messages and documents in a standardised manner. Clean master data management keeps terms, availability locations and customs data consistent across all systems. As sustainability grows in importance, the choice of transport route and vehicle utilisation in own collection play an increasing role; packaging reduction measures can often be agreed more easily with the supplier in direct collection, since the buyer designs the loading and return processes himself. Where Supply Chain Resilience Management relies on a broader sourcing process portfolio, EXW is deliberately chosen as one of several term options and not adopted as a standard.

Typical metrics

Delivery reliability (availability date): > 95 %

Under EXW, timely availability at the supplier's works is the decisive reference point; over 98 % is considered very good in practice.

Quantity accuracy: > 97 %

Measures whether the agreed quantity is made available in full; deviations lead to partial deliveries and follow-up effort.

Damage rate in own-account transport: < 1 %

Provides insight into loading quality and the transport route; high values argue for a switch to FCA or DAP.

Deviation of transport costs from the calculation: < 5 %

Shows whether the TLC calculation was realistic; larger deviations indicate a lack of cost transparency.

Practical example

A medium-sized mechanical engineering company procures castings from a European supplier on EXW terms ex works. At first the unit prices appear attractive; however, a systematic TLC analysis reveals high transport costs and frequent downtimes because the supplier makes the goods available late. The buyer responds with several targeted measures.

- Introduction of a Total Landed Cost (TLC) comparison for all casting quotations, including a separate evaluation of transport costs
- Contractual stipulation of availability windows and the abbreviation "EXW loaded" within a revised negotiation procedure
- Establishment of a Risk Mitigation Plan with alternative freight forwarders and defined escalation routes in the event of late availability
- Integration of supplier terms into master data management and regular evaluation of delivery reliability across all EXW suppliers

Conclusion

EXW is the clause with the fewest seller obligations and the highest buyer responsibility within the Incoterms rules. It can offer cost advantages if the buyer competently controls logistics, customs and transport risks himself. The total cost view is decisive: without calculating the Total Landed Cost (TLC) and without clear contractual agreements on loading and availability, hidden costs and process risks loom. For buyers without their own export and logistics expertise, FCA is usually the better choice. Anyone using EXW in a targeted manner should combine it with clear controls, measurable KPIs and a well-maintained supplier portfolio.

Frequently asked questions

What does EXW mean in procurement?

EXW (Ex Works, ex works) means that the seller only makes the goods available at his works or warehouse and hands them over to the buyer. All further steps – loading, transport, insurance, export and import clearance – are organised and paid for by the buyer. Risk passes to the buyer as soon as the goods are made available.

Who pays for what under EXW?

The seller bears the production and provision costs as well as packaging, where agreed. The buyer pays for loading, all transport costs, insurance, duties and import charges as well as delivery to his own site. A clear TLC calculation is what first reveals the true total costs.

When is EXW sensible for buyers and when is it not?

EXW makes sense when the buyer has in-house logistics expertise, good freight rates and experience with customs processes, and when the supplier is nearby. EXW is unsuitable when the seller or the buyer cannot handle the export formalities in the seller's country, for sensitive goods or containerised goods, and when the buyer has no local freight forwarding solution. In these cases the ICC recommends the FCA clause.

What is the difference between EXW and FCA?

Under EXW the seller is not obliged to load the goods or to clear them for export; the buyer bears the risk from the moment the goods are made available at the works. Under FCA, the seller handles export clearance and hands over the goods to the named carrier. In practice, FCA is therefore usually the clearer and lower-risk choice for international shipments and container business.

Does title and risk pass to the buyer under EXW?

Under EXW, risk passes to the buyer when the goods are made available at the named place – already before loading. Title, however, is not governed by the Incoterms; it follows the contract of sale and the applicable national legal provisions and should be separately stipulated in the contract.

Does EXW also apply to deliveries within Germany?

Yes, EXW is a valid clause for domestic transactions and is not limited to export. It is frequently used for collection deliveries or call-offs from safety stock. Even here, buyers should check whether alternative clauses such as DAP are more efficient for the specific supply relationship.