



THE MEANING BEHIND FREIGHT TERMS

F.O.B. shipping terms and when to request a preference.

WHAT DOES F.O.B. MEAN?

- F.O.B. stands for Free on Board
 - Without charge for delivery to and placing on board a carrier at a specified point; determines the point at which title for the shipment passes from vendor to purchaser
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DOMESTIC SHIPPING AND F.O.B. TERMS

- Shipping terms determine who has the legal right to specify the carrier and the routing and define the point at which a buyer takes title of the goods.
- The shipping terms define whether the seller or the buyer is responsible for selecting the carrier, paying the freight charges, handling negotiations with the carrier, and filing any necessary loss or damage claims.
- The owner (i.e., the person who has title) of the material holds all right and responsibilities that accompany ownership.

F.O.B. CONTRACT TERMS

F.O.B. Contract Terms			
Freight Terms	Customer Takes Title of Goods	Customer Responsibilities	Vendor Responsibilities
F.O.B Point of Origin, Freight Collect	At point of origin or factory	<ul style="list-style-type: none"> • Pays freight • Bears freight • Owns goods in transit • Must file claims for loss, damage or overcharges 	
F.O.B. Point of Origin, Freight Prepaid and Allowed	At point of origin or factory	<ul style="list-style-type: none"> • Owns goods in transit • Files claims 	<ul style="list-style-type: none"> • Pays freight • Bears freight
F.O.B. Point of Origin, Freight Prepaid and Added	At point of origin or factory	<ul style="list-style-type: none"> • Bears freight • Owns goods in transit • Files Claims 	<ul style="list-style-type: none"> • Pays freight and • Adds freight to invoice
F.O.B. Destination, Freight Collect	At destination	<ul style="list-style-type: none"> • Pays freight • Bears freight 	<ul style="list-style-type: none"> • Owns goods in transit • Files claims
F.O.B. Destination, Freight Prepaid and Added	At destination	<ul style="list-style-type: none"> • Bears freight 	<ul style="list-style-type: none"> • Pays freight • Adds freight to invoice • Owns goods in transit • Files Claims
F.O.B. Destination, Freight Prepaid and Allowed	At destination		<ul style="list-style-type: none"> • Pays freight • Bears freight • Owns goods in transit • Files claims

WHY IS “DESTINATION” PREFERABLE?

- When the buyer specifies “Destination” in freight terms, they are avoiding having to take ownership of the goods until they have actually been delivered to the “destination”.
 - If you allow “Shipping Point”, you take ownership of the goods the moment they leave the seller. Anything that happens to the goods in transit will be up to you to deal with.
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VERIFYING FREIGHT CHARGES

- Just because you have a vendor paying for the freight, doesn't mean you may not end up bearing the charges in the price you pay.
 - Vendors may include double or more the cost of freight in their quote to you on an item. The more expensive the item, the more freight they can add.
 - It is acceptable to request that the vendor send you a copy of the actual freight charges after shipment is made. To protect the College, it is preferable to clearly define that F.O.B. is Destination, and vendor bears all freight charges.
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LETS DISCUSS SOME "WHAT IF"
SCENARIOS

WHAT IF....

You have ordered 500 cases of 40 watt 2-pack light bulbs. The vendor wants to list it as “Shipping Point”. You had planned to pay the freight anyway to get it more quickly, so you agree. On the way to you, the truck turns over on the freeway. Your shipment is moved with others to a new truck and then delivered. You notice the damage to the boxes and ask the driver about it. He explains what happened. Now What???

YOUR RESPONSIBILITY

It is now up to you to go through each box with the shipping company's damage estimator and determine the full extent of the damages. You will need to file the claims with the shipping company and wait for reimbursement. You will have to place a new order while still paying the vendor in full for the first one.

WHAT IF YOU HAD SHIPPED F.O.B. DESTINATION?

The same scenario, but you had it shipped Destination. When the order arrives, you can refuse the whole thing. It is now up to the vendor to deal with the shipper for any possible damages and reimbursement, and to replace your order in a timely manner. You never even have to open a box if there is obvious damage on the outside.

WHICH ONE WOULD YOU
PREFER?