

and the buyer will then pay the costs after that. The seller's price may include **insurance** (to cover the risk of damage). And if there is **duty** (import tax) to pay, then the buyer and seller must decide who pays this. So that the buyer and the seller know clearly who pays what, they use **incoterms** when they talk about the price. You can see a full list of all the incoterms and what they mean on pages 190–191).

There's another factor that can affect the price: a **discount**. A discount is a reduction in the price – in other words, the buyer gets the goods at a lower price than in the seller's **sales catalogue** or **price list**. Why? One example is when a company sells its goods to normal customers (you and me) at price X, but to another company in a B2B deal at a lower price Y. The buyer gets a **trade discount**. And you know already that goods are cheaper when you buy large quantities of them: the buyer gets a **quantity** (or **volume**) **discount**. In its offer, the seller always makes clear if it is offering the buyer a discount.

**Terms of payment:** if you're a seller, there's a big difference between a new customer and one that you do business with regularly. You don't know the new customer and you don't normally **give** the company **credit**. For a first order, sellers typically ask for **cash in advance** or at least for a **deposit** – part of the payment in advance. As the buyer and seller work together more, then the buyer can usually start paying later – either with a **payment on receipt of goods** or **on receipt of invoice** or even better **within ... days**.

**Delivery times:** finally, the offer gives delivery times – when the seller will send (or **dispatch**) **the consignment**. Typically, this is **immediately on receipt** (or **within ... days of receipt**) of order.

## An order

When the buyer receives the seller's offer, it must decide if it finds the price and all the terms **satisfactory**. If it does, it can place an order. Normally, it sends a **purchase order** – a document that it uses for all its purchases – and writes a **cover letter** that confirms the prices and terms etc. There's just one more step: to be 100 per cent sure that buyer and seller understand their contract of sale, the seller writes an **acknowledgement** of the order to say that everything is correct.

### Incoterms

International Commercial Terms first began in 1936 and they are published by the International Chamber of Commerce (ICC). The terms importers and exporters use at the moment are from 2010. There are 11 incoterms, and together they cover all the different ways that buyers and sellers share the costs and risks of delivering goods – from an EXW (ex-works) price through to DDP – Delivered Duty Paid (*verzollt geliefert*) – when the seller delivers the goods right to the buyer's door and pays the duty.

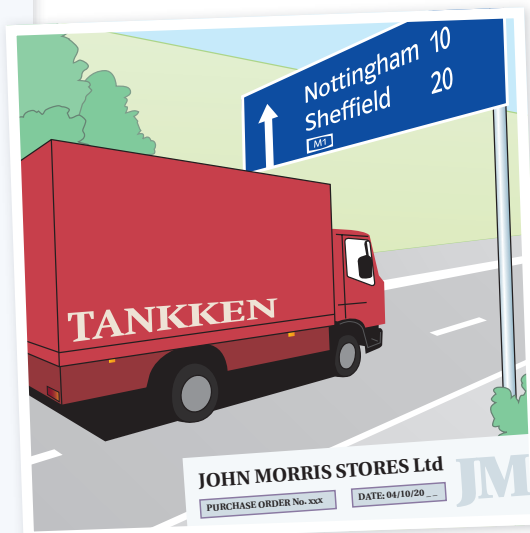
### Discounts

**introductory discount** (*Einführungsrabatt*): a lower price for a first order.

**volume discount** (*Mengenrabatt*): a lower price for a large order.

**trade discount** (*Handelsrabatt*): a discount for a B2B customer.

**cash discount** (*Skonto*): a lower price when a buyer pays cash.



## R/M 2 Check that you understood the important words.

1. Make a list of the keywords and phrases in the text in English. Then add the German translations. Use the list on pages 76–77.
2. Your boss is interested in the text but doesn't speak English as well as you. Give a brief summary in German.