

Reverse Logistics-the Key to Parcel and E-Commerce Deliveries

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Authors: [Jonathan R. Todd](#)

Key Takeaways

- Rapid growth of parcel and e-commerce deliveries has made reverse logistics-handling returns and product disposition-as important as getting products to customers in the first place, requiring specialized processes and services.
- Reverse logistics presents unique operational and legal challenges, including managing data privacy, intellectual property and contractual risks. Mishandling returns can lead to increased costs, legal exposure and damage to brand reputation.
- Retailers and logistics providers can review their reverse logistics programs, with an eye to strengthen compliance with privacy and IP laws, clear contractual terms and robust quality controls to turn returns into a value-add part of the customer experience.

The staggering rise of parcel and e-commerce volumes has increased the need for effective reverse logistics programs, and more importantly, quality services to execute on those programs. We live in a world where what happens after a customer opens a carton is equally as important as what happens before the click to complete the sale. This article explores the key differences between forward and reverse logistics as well as the legal challenges to service delivery.

Forward vs. Reverse Logistics

The strategic and operational challenges of reverse and forward logistics models can be very different. Forward logistics operations are built on speed of throughput and minimization of transit-related loss or damage. These remain important but receive less focus in reverse logistics models. There, the objective is to maximize convenience to the consumer and efficient disposition of the returned product while minimizing total cost. The reverse logistics element of a supply chain is both a value add from the perspective of driving sales but also a labor-intensive loss mitigation measure designed to maximize the salvage and monetization of product.

Service and Product Variance

While the forward supply chain may involve pick and pack, kitting, light assembly, or related services from logistics providers, reverse logistics can take on a character of production, quality control and decision-making that is equally if not more impactful. Any customer may at any time choose to make a retail return subject to retailer policies. That returned product is of any possible quantity and condition, in a potentially wide array of packaging, and may or may not be suitable for resale. The

product is received at residence or local store front and then consolidated with others at a company owned or third-party facility. It must be examined and then refurbished, repackaged, re-racked and retagged, as necessary. It is only then routed to its immediate disposition, whether returned to the retail market, placed on a secondary market, donated to charity or disposed.

Unique Contractual Considerations for Reverse Logistics

The approach to reverse logistics contracting can be complex due to the “production” character in addition to traditional transportation and logistics risk. For example, returned product may include personally identifiable information from initial purchasers which must be managed in compliance with global data protection and privacy laws. All product that is handled must be checked for conformance with shelving standards just as if it had come directly from production. This can include close examination of electronic infrastructure and functionality or even chemical testing for contaminants. Even the destruction of product carries risk. For those retailers with valuable intellectual property, product intended for disposal will have resale value in the domestic market or a grey market. Product bearing owned or licensed trademark, copyright, and patent and other proprietary rights must be carefully managed to ensure obliteration of the intellectual property, destruction of the product or sale through channels that do not cause diminution of the portfolio.

Providers and Retailer Risk vs. Reward

Reverse logistics service providers are familiar with basic limitations of legal liability typically applied under the Carmack Amendment (49 USC 14706) such as \$100 per parcel. However, the range of services for reverse logistics also raises the potential for negligent performance of those non-transportation services and for breach of strict contractual provisions, key performance indicators and service level agreements. These risks can be managed and executed with close attention, but the spectrum of commercial and legal risk is unique. Fortunately, risks and the value of service apply equally to providers and their customers. Increases in customer satisfaction, in inventory accuracy, and in the quality of products routed through the reverse logistics system, can convert the returns process which was once begrudged by both retailer and customer into a true value add that squarely aligns with brand equity.

Jonathan Todd is Vice Chair of the Transportation & Logistics Practice at Benesch. He may be reached by telephone at 216-363-4658 or by e-mail at jtodd@beneschlaw.com.