From Returns to Resilience: Why Product Donation Belongs at the Center of Retail Reverse Logistics

By Russ Shumaker, Sr. Strategy Leader, World Vision

Executive Summary

Retailers are under intense pressure to do more with the same inventory: recover value, cut costs, hit ESG targets, and protect their brands. Reverse logistics has moved from a back-room function to a board-level priority, with an increasing number of companies recognizing it as a cornerstone of circular retail and a key lever for ESG reporting.

Yet when inventory leaves primary selling channels, most retailers still default to the same three options: **liquidate, recycle, or dispose**. Product donation is often treated as a "nice to have" or a way to clear the last few loads at year-end—rather than a strategic channel designed into the reverse logistics network.

This paper proposes an alternate approach using two simple visual frameworks:

- **Figure 1** shows where donation fits alongside resale, liquidation, recycling, and disposal in a typical retail supply chain.
- **Figure 2** compares the relative financial, ESG, and brand value of four disposition channels—donate, recycle, liquidate, landfill.

Drawing on research from the EPA, GAO, NIST, NRF, and others, we show that:

- For many categories, **donation offers the strongest combination of financial return, waste diversion, carbon impact, and brand protection**—often outperforming liquidation and dramatically outperforming disposal.
- Across categories, the majority of materials that are technically recyclable still end up in landfill or incineration; reuse and donation are among the most effective levers to reduce that burden.
- Under IRS §170(e)(3), qualified C-corporations can receive an enhanced deduction for donating inventory, often producing a higher net financial benefit than liquidation or simple write-off, depending on margins and tax position.

The conclusion is straightforward: for many NRF members, building a structured product donation program is one of the fastest ways to unlock incremental value from reverse logistics while advancing ESG and brand goals.

Reverse Logistics as a Strategic ESG Lever

NRF's reverse logistics content has documented what retailers are experiencing on the ground: returns and non-forward-flow inventory are now central to customer experience, cost structure, and sustainability performance. Reverse logistics is increasingly framed as "the cornerstone of the circular economy" because it determines whether products are reused, repaired, resold, recycled, or discarded.

At the same time, expectations around ESG disclosure are rising. Investors and regulators are asking for:

- Waste diversion and landfill reduction data
- Scope 3 emissions, including those tied to product end-of-life
- Evidence of circularity; how much product is given a second useful life

Reverse logistics sits at the intersection of all three.

The question is no longer simply "How do we get rid of this inventory?" but:

"How do we route inventory into the channels that maximize economic, environmental, and social value, while protecting our brand?"

Mapping Where Donation Fits in the Retail Supply Chain

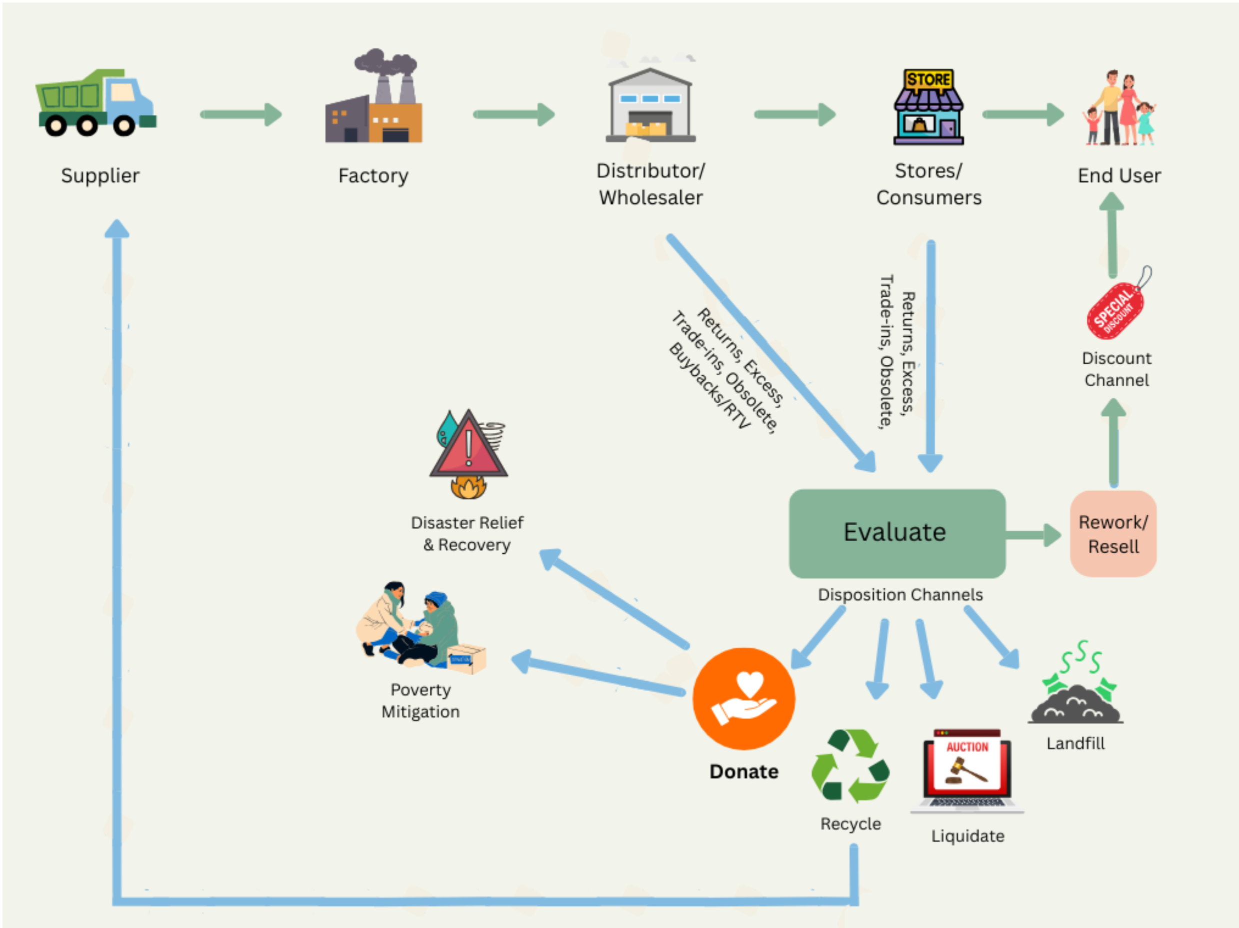

Figure 1

Figure 1 traces a typical supply chain from supplier to end user. At the point where goods can no longer move forward, inventory enters a reverse flow:

- Product from stores/consumers entering this flow includes things like returns, pullbacks, trade-ins, floor model changes, seasonal resets.
- Product from wholesalers/distributors includes things like excess, obsolete, buybacks, RTV diversions.

The combined stream from both sources flows into an evaluation step:

Is this product still suitable for forward-selling channels, or does it need to move into disposition channels?

From that evaluation point, retailers have two broad buckets:

1. **Forward Channels:**
   - Rework and reshelve
   - Discount and outlet
   - Recommerce and trade-in programs
2. **Disposition Channels:**
   - Donate
   - Recycle
   - Liquidate
   - Landfill or destruction

Most NRF members already invest heavily in optimizing forward channels. The opportunity lies in rebalancing the four disposition channels to take advantage of solutions that are financially attractive, sustainable, and brand safe.

In a review of supply chain and reverse logistics resources, including standard textbooks and practitioner guides, few explicitly included product donation as a disposition choice. The gap matters: donation can contribute meaningfully to financial, ESG, and brand goals, but only if it's designed into the system rather than treated as an afterthought.

Case Study: Comparing Disposition Channels

Let's examine a scenario where a retailer has 5,000 units for disposition with a cost basis of $12,500, fair market value of $50,000, and a liquidation value of $5,342.76 (based on the average recovery price across categories).

In this scenario, the retailer feels shareholder pressure around profitability and also has long term brand protection and ESG goals to consider.

Traditionally, liquidation would be the first choice when profitability pressure was highest, while landfill and recycling options might be prioritized if speed or sustainability were prioritized.

Donating product offers an alternative that, in many instances, can accomplish all of these goals when working with an efficient nonprofit. Figure 2 illustrates the comparative benefits of donation, recycling, liquidation, and disposal using a fictional product set. We modeled this scenario using World Vision's free [product donation calculator](), which compares the after-tax value of donation, liquidation, and disposal under §170(e)(3).

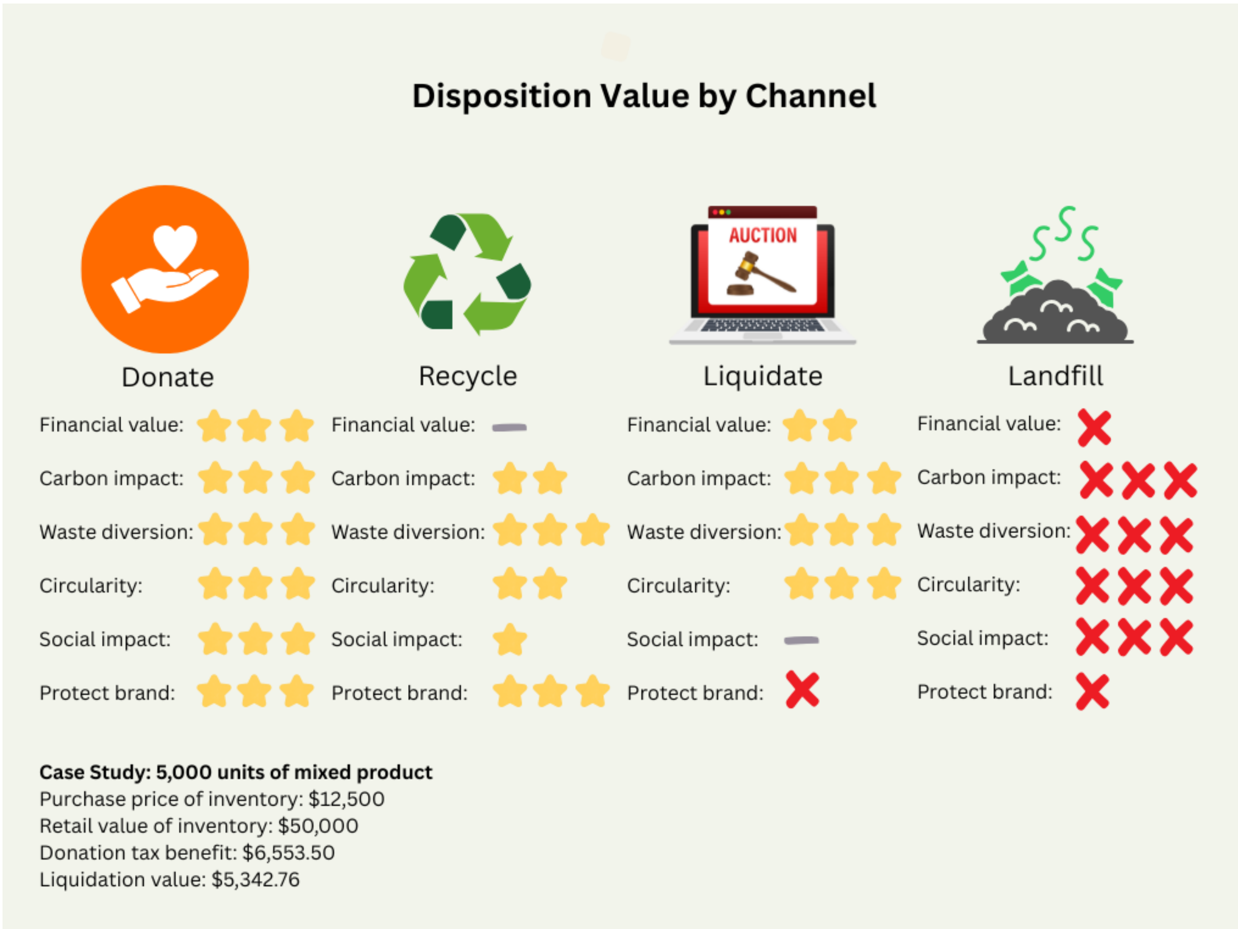

Figure 2

Why Donation Scores Highest

Financial value

Under §170(e)(3), C-corps that donate [qualifying inventory]() to eligible nonprofits may be eligible for an enhanced charitable deduction. In simplified terms, the deduction is based on cost plus up to half of the difference between cost and fair market value, capped at twice cost, subject to overall income limitations.

In practical terms, for many high-margin categories this can translate into an **after-tax financial benefit that exceeds liquidation proceeds**. NRF members can test this with their own margin structures by plugging scenarios into a donation calculator rather than relying on rules of thumb.

Carbon impact, waste diversion, and circularity

Across product categories, current U.S. recycling rates are modest: the overall municipal solid waste recycling and composting rate is about **32%**, meaning roughly two-thirds of material still ends up in landfill or incineration. Many items that are technically recyclable are not recycled because of mixed materials, infrastructure gaps, or unfavorable economics.

Donation and reuse sidestep many of those constraints. When product is donated, it:

- Extends product life
- Avoids the need to manufacture low-cost replacement items
- Prevents associated emissions and resource use

Research on circular economy and reverse logistics consistently finds that **reuse typically yields greater environmental benefit than recycling or disposal**, because it preserves more of the original embedded energy and materials.

Social impact
Unlike liquidation or recycling, donation directly contributes to human outcomes: equipping vulnerable families, supporting schools in low-income areas, and enabling disaster response efforts.

For retailers, this creates a social impact story that resonates with employees, customers, and investors and can be evidenced through partner reporting and impact stories.

Brand protection
Done well, product donation can offer **high brand protection**:

- Qualified nonprofit partners maintain transparent, secure chain of custody, with “do not sell” policies and recall-ability.
- Distribution can be targeted to disaster zones or communities where beneficiaries are non-market participants, limiting channel conflict.
- Best practices include distributing donated product directly to final beneficiaries in individual and family quantities, reducing the likelihood that donated inventory appears in unauthorized retail or discount channels.

The net result: **price integrity and brand positioning are preserved**, even as remaining value is extracted from non-forward-flow inventory.

Why Liquidation Scores as “Medium”

Liquidation is familiar, fast, and often necessary, but it comes with tradeoffs.

Financial value
Reverse logistics and liquidation specialists report that recovery rates on general merchandise are typically a fraction of original retail value, often in the single-digit to low double-digit percentages. For some categories and seasons, liquidation may be the best remaining financial option; in others, enhanced deductions from donation, paired with sustainability targets and brand values, can create more value.

Carbon, waste, and circularity
Liquidation does keep many units in circulation, which is better than landfill. However:

- Additional handling and long transport routes can erode carbon benefits, incurring additional costs.
- Not all liquidated goods are ultimately sold; some end up as waste even in secondary markets. Reports from receiving countries describe bales of unsellable apparel that end up in open dumps or waterways.

As a result, liquidation scores better than disposal but below donation on environmental and circularity metrics.

Social impact
Liquidation can support consumer access to low-cost goods, but there is no targeted social outcome or development objective, so it is scored neutral on social impact.

Brand protection
Brands and retailers have long worried that indiscriminate liquidation undermines pricing, assortment strategy, and brand equity. Resale into uncontrolled channels or overseas markets can dilute brand positioning and complicate channel relationships, especially when branded goods show up in unexpected contexts.

Recycling as Limited, but Useful

Recycling is an essential part of any company’s strategy, but it is capacity, incentive, and technology constrained.

According to the U.S. Environmental Protection Agency (EPA), the overall U.S. municipal solid waste (MSW) recycling + composting rate was 32.1%. That means roughly two-thirds of all MSW still ends up in landfills or incineration.

Some analyses suggest that as much as 79% of materials in the waste stream that are technically recyclable are never recycled because of factors like mixed materials, insufficient sorting infrastructure, economic infeasibility, or lack of access to recycling programs.

In many cases, recycling is downcycling rather than closed-loop recycling where all of the inputs can be reused. This means:

- Materials degrade in quality.
- Recovered material may be suitable only for low-grade applications (e.g., industrial rags, insulation, fiberfill, low-grade plastic compounds), not for reuse or re-manufacture of equivalent products.
- Recycling rarely returns materials to "like-new" condition and often requires blending with virgin materials, diluting circularity benefits.

Recycling remains important, especially for packaging, paper, and certain metals, but for many categories of product it delivers only partial waste diversion and limited circularity. It also does not, on its own, deliver social impact or brand-positive reuse.

Why Landfill Should Be The Last Option

Landfills and incineration represent:

- Zero circularity
- High waste and long-term environmental impacts
- Methane and other emissions from decomposition
- Growing reputational and regulatory risk

For any retailer committed to ESG performance, landfill should be the option of last resort, reserved for items that cannot be reused, donated, recycled, or safely liquidated.

What Retailers and Manufacturers Stand to Gain From Product Donation

When donation is moved from "last resort" to a planned channel, several benefits emerge:

1. **Higher net value on certain inventory profiles** (especially high-margin apparel, footwear, home goods, and building materials), driven by enhanced deductions under §170(e)(3).

2. **Measurable ESG performance**: waste diversion metrics, reduced landfill volume, and clear social impact outcomes that can be reported in ESG and sustainability reports.
3. **Stronger brand protection**: keeping product out of uncontrolled channels and aligning corporate values with stakeholders' expectations of responsible stewardship.
4. **Social impact and storytelling**: compelling narratives for customers, employees, and investors about how surplus inventory is transforming communities rather than filling landfills.

Getting Started: Practical Steps for NRF Members

Retailers don't need to overhaul their entire reverse logistics network to realize these benefits. A pragmatic path looks like this:

1. **Map your current disposition mix.**
   - What percentage of non-forward-flow inventory is resold, liquidated, recycled, or landfilled?
   - Which categories (e.g., apparel basics, kids' clothing, bedding, towels, small housewares) are good candidates for donation?
2. **Run sample scenarios through a calculator.**
   - Use World Vision's product donation calculator to compare donation vs liquidation vs disposal for different categories and margin structures.
3. **Identify pilot lanes.**
   - Start with a narrow category (e.g., seasonal apparel pullbacks, certain clearance tiers, or DC-held excess) and a manageable region.
4. **Select a qualified NGO partner.**
   - Look for partners with compliance to §170(e)(3), proven last-mile distribution capabilities, and experience with reporting and brand protection. Best-in-class nonprofits will respond to queries within 24 hours and once goods are accepted for donation, can pick up within 3-7 business days.
5. **Integrate donation into reverse logistics SOPs.**
   - Add donation as a defined channel alongside liquidation and recycling in your RL playbooks, with clear eligibility criteria and triggers.

6. **Measure and report.**
    - Track pallets diverted, estimated units served, financial benefit, and associated ESG metrics, and integrate them into sustainability and annual reports.

Conclusion

Donation is not an afterthought. It is a high-value disposition channel that sits alongside liquidation, recycling, and landfill and often outperforms them on both financial and sustainability metrics.

By intentionally designing product donation into reverse logistics strategies, retailers can unlock new value, reduce environmental impact, protect their brands, and help communities thrive, turning what used to be a waste problem into a powerful expression of corporate responsibility and smart business.