



Buying Clubs

“Fight inflation. Join a buying club. Do your purchasing with other consumers and get lower prices.”

The claims are appealing. But buying clubs may not always save you money. In fact, shopping at some clubs can be more expensive than shopping in local retail stores.

Buying clubs attract consumers by advertising that members can buy goods at wholesale prices, or at a certain percent reduction from the manufacturer's suggested list price. They usually require members to pay an initiation fee, which may range from a nominal price to hundreds of dollars.

Little incentive for good service

If you are interested in joining a buying club, you should examine the initiation charge

and the advertised savings of each one. Think carefully before you decide to invest in a buying club. Some clubs have low membership fees and offer products at bargain prices. Other clubs, however, make most of their money from large, upfront initiation fees and may have less incentive to provide good price discounts to members.

Large up-front fees

If you are required to pay an expensive initiation fee, you will have to make a large number of purchases to begin to save money through the club. The question you need to ask yourself is whether you will save money. You can find the answer by using basic math: if you paid \$500 to join a club and saved 25% on everything you bought, you would have to spend \$2,000 before you

would break even; or if you paid \$100 to join and saved 20%, you would have to spend at least \$500 in purchases before you started to save money.

Look at savings claims

If a club claims you can save 25% off of the “**suggested retail price**” or “**manufacturer's list price**,” be careful. Discount stores and catalog showrooms usually sell goods for less than the suggested retail or manufacturer's list price—and you do not have to pay an initiation fee to shop there.

The only way to make sure the buying club offers bona fide bargains is to comparison shop. Make a list of what you want to buy, and compare local retailers' prices with the buying

club's prices. Make sure to ask if freight or other service charges are included in the price given by the club. These can make or break a bargain.

Be wary of clubs that will not let you see their prices, catalog, or showroom until after you join. A club that can save you money should have no reason to hide its offered merchandise and prices.

Some buying clubs may employ high-pressure sales techniques to get you to join. For example, be wary if you must sign up now or lose the chance to join; if they will give you a discounted membership today, but not tomorrow; or if you are interviewed to see if you meet membership "standards." These tactics ordinarily are not used by a club that offers genuine bargains.

You should also consider the possibility that the club may go out of business after you join. Some clubs have shut down and left their members with little hope of recouping their losses.

You're protected

The main feature of Wisconsin's buyer's club law is a prohibition against collecting from a member more than one year's membership fee in advance. On a ten-year membership contract, for example, the buyer can be asked to pay no more than ten percent of the membership fee during the first year of the contract. The law provides the customer the right to cancel the contract for any reason within the first three months, or within three days of delivery of the customer's first purchase through the contract of goods

costing more than \$25, whichever comes first. Other provisions require certain disclosures in contracts and in sales representations, and prohibit unfair contract provisions.

To check if a buying club is bonded in Wisconsin, contact the Bureau of Consumer Protection at:

800 422-7128

FAX: (608) 224-4939

TTY: (608) 224-5058

E-MAIL:

datcph hotline@datcp.state.wi.us

WEBSITE:

<http://www.datcp.state.wi.us/>

(Some information taken from the Federal Trade Commission fact sheet "Should You Join a Buying Club?")

