



Buying Clubs (Future Service Plans)

“Fight inflation.”

“Join a buying club.”

“Do your purchasing with other consumers and get lower prices.”

The claims are appealing, but shopping at some buying 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 reduced rates from the manufacturer's suggested list price. Members are required to pay a fee to join, 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 membership fees against the advertised savings of each club.

Some clubs have low membership fees and offer products at bargain prices. Other clubs make most of their money from large, upfront fees in addition to monthly or annual membership fees and may have less incentive to provide significant price discounts to members.

Large up-front fees

If you are required to pay an expensive upfront 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 enough money while shopping to justify the fees of belonging to the buying club.

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 come out ahead; 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.



Photo: Wikimedia Commons The New Mikemoral

Look at savings claims

When comparison shopping between local retailers and buying clubs, know whether freight or other service and charges are included in the price.

If a club claims you can save a large percentage off the **“suggested retail price”** or **“manufacturer's list price,”** be careful. Discount stores and catalog showrooms often sell goods for less than the suggested retail or manufacturer's list price to begin with, and you do not have to pay any upfront fee to shop there.

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. Wis. Stat. ch. 136 requires buying clubs to maintain financial security for

customers in case they go out of business, but it's a good idea to check how long the business has been operating.

Buying club memberships

If you join a buying club, you may be agreeing to purchase merchandise or services automatically at regular intervals, often monthly, until you cancel.

If you accept a free offer, you also may find yourself being billed for a product or service you never ordered. Sometimes, if you agree to a "free trial" offer it activates a bill for magazines, CDs, or some other product that is delivered regularly. These are called continuity plans, and they can end up being very expensive.

If you do not fully understand the terms of the offer, ask the seller to repeat them or provide them in writing.

Make sure to write down important information, like the customer service telephone number or address.

Questions to ask

- Is the free trial offer related to a membership, a subscription, or an extended service contract?
- Do I have to contact the company to avoid receiving any merchandise or services? If so, how much time do I have? What is my deadline?
- Who do I contact to cancel? How do I cancel? By letter? By phone? By email?
- Will I get other products associated with the free trial offer or the buying club? If so, will I have to pay for them or pay to send them back if I do not want them? How long do I have to decide before incurring a charge?
- How do I stop getting additional merchandise or services?
- Is there a membership fee? If so, is it refundable?
- Will they automatically bill my credit card for the fee or the products or services?

You are protected

Wisconsin law (Wis. Stat. ch. 136) prohibits buying clubs from collecting more than one year's membership fee in advance from individual members. On a ten-year

membership contract, for example, during the first year of the contract the buyer can only be required to pay a maximum of ten percent of the total membership fee.

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.

Every buying club operator is required to provide proof of financial responsibility in the form of a surety bond in favor of the Wisconsin Department of Agriculture, Trade and Consumer Protection. The bond is held for the benefit of any member failing to receive a refund under the contract if the buying club operator should go out of business.

For more information or to file a complaint, visit our website or contact:

Wisconsin Department of Agriculture,
Trade and Consumer Protection
Bureau of Consumer Protection
2811 Agriculture Drive
PO Box 8911
Madison, WI 53708-8911

Email: DATCPHotline@wi.gov

Website: datcp.wi.gov

PHONE: (800) 422-7128

TTY: (608) 224-5058

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

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