

Protecting Wisconsin Consumers for 75 Years

Buying clubs

**“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 usually required to pay a membership fee and, in some cases, an initiation 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 initiation fees in addition to membership 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 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 would breakeven; 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

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

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 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; 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.

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 you automatically bill my credit card for the fee or the products or services?

You are protected

Wisconsin law prohibits buyer's 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 contractor 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 or if the contractor should go out of business.

For more information

For more information, to check if a buying club is bonded in Wisconsin or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

**Bureau of Consumer Protection
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Madison WI 53708-8911**

**E-MAIL:
DATCPHotline@Wi.gov**

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

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