

Membership buying clubs: Do you get what you pay for?

You've heard the claims: Join this membership buying club and you can purchase direct from hundreds of brand-name manufacturers and hundreds more authorized suppliers. Cut out the middleman, go straight to the source and save thousands of dollars on your purchases every year.

If you're counting on purchasing a specific big-ticket item to help offset the cost of your membership fee, make sure you'll actually be able to make that purchase.

How can you lose? Membership buying clubs are nothing new. They have been around for decades, offering bulk purchasing power, low overhead costs because of their no-frills warehouse-style storefronts and store-brand products for less than you might pay elsewhere.

Often the fees are \$40 to \$100 per year. By purchasing regularly and

shopping wisely, many consumers have found these clubs help them realize significant savings over time.

But not all membership buying clubs are created equal. Recently, consumer complaints have risen against some nationwide buying clubs for deceptive advertising, steep membership fees and high-pressure sales tactics. Before you join any membership buying club, look for these warning signs:

- ◆ **Failure to disclose membership fee up front.** If a company can't tell you its membership fee up front, beware. It's probably more than you'd expect.
- ◆ **High-pressure sales pitches.** If value-for-price is obvious, a company shouldn't have to talk consumers into signing up.
- ◆ **Long-term membership contracts.** Most membership contracts are for one to two years. Beware of any contract longer than that, especially if fees are paid up front and are not refundable.
- ◆ **"Confidential" pricing until membership contract is signed.** A lack of transparency in any part of the sales process is suspect, but especially when the promised savings (which is what you're banking on, after all, with your membership fee) can't be confirmed before signing.

◆ **One-time-only offers.** If a company won't allow you the time to think about committing to a membership and insists that you sign on the spot or the offer will be revoked, run, don't walk, for the nearest exit.

◆ **Hidden fees.** Hidden fees such as shipping costs, handling fees and other charges can chip away at any so-called savings. In addition, if items are drop-shipped to a local center, you may have to pay additional shipping fees to receive your items, or you may have to arrange pickup yourself. This can add substantially to the cost of the item, making it potentially more expensive than if you had purchased it at a standard retailer.

◆ **Debatable bargains.** Whether the membership buying club actually saves you money is debatable in some

See *Buying clubs* page 6



How to evaluate buying clubs

Before joining any membership buying club, do a little homework to make sure you're dealing with a reputable company. Here are some sources to check out.



Better Business Bureau – Look for any consumer complaints on the Better Business Bureau Web site by visiting www.bbb.org and typing in the ZIP code for the company's headquarters and/or its local franchise. If you find too many complaints, you may want to avoid this company.

Consumer Reports – *Consumer Reports* (www.consumerreports.org)

provides “unbiased product reviews” and also reviews some companies, including membership buying clubs.

Friends and associates – If friends recommend the club, find out when they joined, how much their membership fees were, whether they've realized significant savings as a result of their membership and what product lines they're purchasing. Keep in mind that everyone shops differently. Some people think paying anything less than full retail price is a bargain, while savvy shoppers may be less impressed with a discount, knowing that, with a little homework, better deals can be found.

Search engine research – Try entering the name of the company and the word “scam” or “complaint” in your favorite search engine. Read any postings carefully to be sure the complaint sounds legitimate.

And be aware that some companies post “scam” scam reports that are thinly disguised endorsements. Some companies pay their employees to post fake reviews that start out looking like complaints then turn into glowing praise, “Don't buy here – unless you want to save a lot of money!” is one obvious example, but subtler approaches are used as well.

Ripoffreport.com – This site allows consumers to post their personal experiences with a company they believe has wronged them. Being ripped off is a subjective experience, so don't rely on this site as your sole source of information.

In addition, some companies can and do post counter reports on this site, and it is unclear whether the reports posted by investigators from this site are objective. One recent search for a company that had numerous complaints on other sites found multiple postings on Ripoffreport.com that were enthusiastic praise for the company. The source of the postings? Investigators from Ripoffreport.com.

Because the Internet is an open forum, it's best to research several sites and include popular consumer advocacy sites before making a purchasing decision. And, of course, solicit and consider the recommendation of someone you trust.

More than 25 percent of Americans don't take advantage of manufacturers' rebates for reasons ranging from it's too much trouble to they lost the receipt to they're skeptical about getting any money back, according to a new study by *Consumer Reports* magazine.

Nearly half said they always send in a manufacturer's rebate, and 23 percent sometimes do. People in households with an income of over \$100,000 took advantage of rebates most often, as did women and consumers in the 35 to 64 age group, according to the survey. Those with a household income of less than \$50,000 were least likely to apply.

Why don't consumers send in rebates?

- ◆ Too many steps required – 52 percent
- ◆ Amount considered too small – 46 percent
- ◆ Missed deadline – 42 percent
- ◆ Fear of placement on a mailing list – 32 percent
- ◆ Lost receipt – 30 percent
- ◆ Doubts about getting the money – 26 percent

Typically, when the rebate is received by the manufacturer, a check is sent within a month or two. But the study showed that many consumers were right in being skeptical that a check would ever arrive. One in five people who applied during the last year didn't receive their rebate – either because it just never arrived or because they were turned down because of a technicality.

The larger the discount, the more hoops consumers have to jump through to get it, the consumer magazine said. These can range from clipping UPC labels or box tops, providing the original receipt and meeting a deadline. Companies say the sometimes rigid requirements make it more difficult for fraudsters to submit bogus claims.

Consumer Reports gives these tips to ensure that you get the rebate that comes with your purchase:

1. Read the requirements carefully, including deadlines, before buying.
2. Copy all of the necessary paperwork, and put it in a folder. Record the latest date you expect the rebate.
3. If the rebate form is online, print it immediately after buying the product. The form might be removed after the promotional period.
4. Mail the rebate in as soon as possible – that way, if the company says something is missing, you have time to submit it.
5. Keep a close eye out for your check because it may resemble junk mail.
6. If the rebate hasn't arrived in a reasonable amount of time, contact the company.

If you're not satisfied, file a complaint with the Federal Trade Commission at www.ftc.gov or (877) 382-4357. ■