

The Best and Worst Warehouse Club Deals

As most penny-pinching consumers know, joining a warehouse club can result in great deals on everything from 46-inch flat-screens to 12-packs of chicken-noodle soup. But that doesn't mean every product in the rustic aisles of BJ's (*BJ*¹) or Costco (*COST*²) is a steal.

"You *could* make the argument that everything in the building is a good deal," insists Michael Clayman, editor of Warehouse Club Focus, a trade publication. Clubs make most of their profit from annual membership fees, which range from \$40 to \$100. That's one of the reasons why warehouse club markups are just 8% to 13% above wholesale prices, while mainstream retailers charge 25% to 50% more, he says.

But, as Clayman explains, those great prices don't always mean you're getting the best deal. Here are five of the best warehouse club buys, and five to steer clear of:

Best Buys

Alcohol

Wine, liquor and beer prices can be 35% lower than at the supermarket. The best deals, however, are on high-end bottles.

"Warehouse clubs sell more Bordeaux than fine wine shops," says Natalie MacLean, editor of *NatDecants.com*³, a wine education site. Costco offers a magnum of Chateau d'Yquem Sauternes 1997 for \$500 -- \$300 cheaper than WineAccess.com. Bonus: Old state blue laws let you buy alcohol without having to pay for an membership⁴.

Milk, butter and eggs

In all but a few cases, you can beat warehouse club food prices at the supermarket by combining weekly store sales with manufacturer's coupons. The notable exceptions: milk, butter and eggs, which are at least 20% cheaper at warehouse clubs, says Teri Gault, founder of *The Grocery Game*⁵, a shopping site. At **Sam's Club** (*WMT*⁶), for example, a four-box pack of salted butter quarters is \$8.67. At Shop Rite, it's \$13.96.

Electronics

More often than not, gadget shoppers will find a better deal at the warehouse than at mainstream retailers -- BJ's beats **Amazon.com** (*AMZN*⁷) by \$6 on the Olympus FE-340 digital camera. But the real draw is the clubs' generous return policies, which encompass everything from price drops to out-of-warranty glitches, says Jerry Grossman, editorial director for tech education site *DemystifyingDigital.com*⁸. Costco accepts electronics returns within 90 days of the purchase, three times longer than **Best Buy's** (*BBY*⁹) policy. Sam's Club permits returns of most computers within six months, with no deadline for other electronics.

Meat

When it comes to the meat at the warehouse club, think: Top-notch butcher shop quality meets supermarket prices. "It's a home run every time," enthuses Phil Lempert, founder of *Supermarket Guru*¹⁰, a news site. Two fresh racks of lamb (no antibiotics, no hormones) cost \$95 at Costco. The same quality and quantity of meat is \$120 and \$135 at iGourmet.com and Lobel's of New York, respectively.

Prescription medications

Warehouse clubs routinely charge 50% less than local pharmacy chains, and may even beat the \$4-a-month offerings at superstores like Wal-Mart and **Target** (*TGT*¹¹), says Gabriel Levitt, vice president of research for pharmacy-rating site *PharmacyCheck PharmacyChecker.com*¹². Buy 100 pills of generic blood-pressure medication Lisinopril (20mg) and pay \$9.53 at Costco or \$10 at Sam's Club -- much less than Drugstore.com's \$35.54. Better yet, most clubs even allow nonmembers to fill prescriptions at the pharmacy in person or online.

Worst Buys

Designer clothing

Forget about finding the latest styles from the pages of Vogue. Most designers generate warehouse-only lines. The rare piece from mainstream labels graced the runways years ago. "Price-wise it's not bad, but you'd get the same deals at a Marshalls or TJ Maxx without paying to get in," says Kathryn Finney, founder of *The Budget Fashionista*¹³, a frugal shopping site.

Items that won't get fully used

If you end up throwing out half of that four-pound can of tuna or still have a full tube of sunscreen after the three-pack expires, you didn't get a good deal. "If you have 10 kids, of course you're going to be able to eat all of a warehouse food [you buy] before it goes bad," says Tawra Kellam, editor for frugal-living site *Living on a Dime*¹⁴. "But that's not realistic for the average family."

Frozen food

Lempert recently scored a free frozen pizza from a neighbor, who had returned home from the warehouse club with a 12-pack that wouldn't fit in her freezer. "You will save money on frozen goods," he says, "but most people don't have room to store them." Unless you plan to eat that 115-count of Gorton's fish sticks or five-quart bucket of ice cream in one sitting, think twice before letting it take up the bulk of your freezer.

Paper goods

Save your paper plate, paper towel and napkin purchases for the supermarket. "Toilet paper is extremely expensive at the warehouse club," says Mary Hunt, founder of money management site *Debt-Proof Living*¹⁵. At Sam's Club, a 36-pack of Charmin Ultra is \$18.32, or 51 cents a roll. A 24-pack on sale for \$9.99 at Safeway works out to 42 cents per roll -- and is easier to store.

Gasoline

When gas prices are falling, deals at the warehouse club pumps are great. But when prices are rising, be more cautious, warns Clayman. The same quick supply turnaround that allows clubs to pass along lower prices can backfire. Clubs may temporarily have higher prices than surrounding stations. Price compare before you pull up to the pump.

¹<http://www.smartmoney.com/quote/BJ/>

²<http://www.smartmoney.com/quote/COST/>

³<http://www.natdecants.com>

⁴<http://www.smartmoney.com/deal-of-the-day/index.cfm?story=20060616>

⁵<http://www.thegrocerygame.com>

⁶<http://www.smartmoney.com/quote/WMT/>

⁷<http://www.smartmoney.com/quote/AMZN/>

⁸<http://www.demystifyingdigital.com>

⁹<http://www.smartmoney.com/quote/BBY/>

¹⁰<http://www.supermarketguru.com>

¹¹<http://www.smartmoney.com/quote/TGT/>

¹²<http://www.pharmacychecker.com>

¹³<http://www.thebudgetfashionista.com>

¹⁴<http://www.livingonadime.com>

¹⁵<http://www.debtprooffiving.com>

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