

THE COST(CO) OF DOING BUSINESS

Just because you can buy a 5-pound bag of baking soda or a ginormous sack of Cheez Doodles doesn't make it a brilliant idea. Staying mindful of that fact is just one of the secrets to coming out ahead when you shop at Costco. **BY SCOTT ALEXANDER**

I love Costco. I also loathe it. I'm convinced that if we really tried, my family of six could live solely on stuff bought there. In addition to groceries, we could buy a car to carry them, plus gas, insurance, wine, eyeglasses, prescriptions, even a stock portfolio. On the plus side, Costco saves us a significant amount of cash every month. However, it's a hassle and a commitment—and if we're not careful, it's an incredibly easy place to get soaked for large amounts of money.

Though I've walked into Costco more times than I can count, I'm still struck by the scale of the place—not just in terms of square footage. Between the superhigh ceilings and giant boxes stacked nearly to the roof, it's basically the closest thing our town has to a cathedral, and it packs a similar awe-tinged psychological punch. Only the Deity is consumption. The sacrament is that most sacred American ritual: paying less.

Costco immediately wraps me in a heady blend of frugality and excess, a proprietary mixture that's pure genius. Customers experience both states simultaneously, so we feel neither deprived by our thrift nor guilty about our gluttony. It is at once what is right and wrong with this country. What could be more fiscally responsible than driving down the per-unit price on my family's granola bars? And what could be more horrifying than a

5-pound tub of fake cheese spread? Make no mistake, this purchasing power comes at a price. Thankfully, understanding all the ins and outs can help minimize it.

On the surface Costco's premise is simple: buying in bulk can reduce the cost of individual goods. Still, there's no such thing as a free lunch. Costco obtains deep discounts from manufacturers by buying in mass quantities, then passes some of those savings on to members. This forces the chain to operate on extremely tight margins, which limits options. It also means you better have plenty of storage space, because there are no small containers of anything. Want to scour the kitchen sink? Hope you don't mind buying six cans of Comet.

The stadium-like dimensions and crazy-quilt layout give the illusion of choice, but in reality there are far fewer options than at most grocery stores. Often you'll find only one national name in a given category, sometimes accompanied by a store-brand version (those would be the Kirkland products you see everywhere in a devoted Costco-ian's household). The average supermarket carried 47,000 different items in 2008, give or take; most Costcos carry around 4,000. This major differential is what allows the chain to maximize both its wholesale savings and sell-through.

But I'm not knocking the products themselves, you understand. While Costco scores low on the

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number of brands within a given category, the one or two

they have for pickles or juice or whatever are almost always very good. And then there are the aforementioned Kirkland products. We were wary at first but have never been disappointed. From baked goods and bedsheets to milk and laundry detergent, their stuff does a perfectly solid job.

The last variable in the financial equation is the \$50 annual membership fee. Don't get me wrong, it's not unreasonable, provided you like their brands and shop prudently and regularly. Making back that fee and then some is highly possible, assuming you remain disciplined. This, however, is no small task. Shopping Costco as a value proposition requires constant vigilance. Lose concentration for a split second and your savings disappear. Temptation lurks in every aisle and assumes many forms. My personal waterloos are Cheez Doodles and baking soda, the yin and yang of Costco pitfalls.

Finding yourself in a situation where saving money is dependent upon spending can severely impair judgment. Outside of a Costco, I would never remotely entertain the thought of

buying a trash-bag-size package of Cheez Doodles. However, roaming the aisles, drunk on value, it seems ludicrous to pass up the opportunity to own this giant sack of starch and orange food coloring for just \$8.99. I mean, look. It's the price of nine regular bags of Cheez Doodles at the deli, only there's probably a hundred bags' worth inside this one. Why not toss it in the

cart? We threw \$50 worth of hamburger in there, what's an extra \$8.99? And in that precise moment, all hope is lost. I have been subtly and perfectly misdirected and am about to get fleeced. Because \$8.99 is a legitimate bargain, but that was never the issue. The issue is that I will very shortly have an unthinkably large bag of Cheez Doodles in my house, which is going to



TECH TALK

Sleek TVs, home theater systems and computers are everywhere at Costco—but they're hardly the bargains of the century.

The electronics category makes up between 6% and 7% of Costco's annual sales. Sounds like chump change when you put it that way, but in real money it's actually almost \$5 billion a year. (Total annual sales are around \$75 billion.) So should you drop cash there for a flatscreen TV or a laptop? Not necessarily, according to Vipin Jain, CEO at Retrevo.com, a popular electronics shopping and review site. We asked, he answered.

FAMILY CIRCLE: Do you find the big brands in Costco or

mainly second-tier players?

VIPIN JAIN: Costco has been selling electronics from day one, but initially there was a lot of resistance from the major manufacturers. They didn't want to be sold in a discount store. So Costco went with new brands like Vizio, which has become much more visible as a result. The big brands took notice of this, and their attitudes started to change. Two or three years ago you didn't always see Sony in Costco, but they're happily selling there now.

FC: How do Costco's prices compare with other retailers'?

VJ: This is an area where they've been very clever. Costco is big enough to cut private deals with manufacturers. As a result, most of the time the electronics products you find at Costco are exclusive to Costco—you won't find them anywhere else. The differences are slight, like an extra HDMI port or a card reader or something like that. Just enough to get a different product name, so consumers can't directly compare prices with other retailers that carry the mainstream products.

FC: If an educated shopper were to look behind the curtain, though...

VJ: In most cases Costco's prices are comparable to what you'd find

at the online discount retailers. In some cases Costco's prices are slightly higher. In other words they're definitely not some kind of stunning value, just average, and that's at best. There's this perception that Costco's prices are low, and people want to believe they're even lower than they actually are. So they don't double-check. But in the electronics industry there's very little wiggle room on price. The industry already works on very thin margins. You'll get a good price at Costco, but not necessarily the lowest. In general the biggest savings opportunities at Costco are on their store brands. They make 500 to 600 different Kirkland products, none of them electronics.

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I'm picking up a 20-pack for \$10 (which is,

naturally, an amazing price).

Regardless, there are significant psychic costs that must be reckoned with. The most critical is the effect Costco has on their patrons. The madness starts in the perpetually inadequate parking lot with duels over prime spots. It continues inside, where everyone seems stressed and in a rush. I can't recall ever being cut off in a regular supermarket. In Costco it happens on every visit, often more than once. Ugly—except when I do it, of course.

And heaven forbid you have trouble finding the frozen taquitos. (Shop-floor

personnel are nearly nonexistent—another cost-cutting measure. The only ones you'll find are absorbed in a very specific task and unable to help. I'd have better luck sending up a rescue flare and asking the forest service for directions.)

Then, after you've navigated the obstacle course of odd layouts and obnoxious patrons, and limited yourself to judicious, value-driven selections, you still have to pass through the nadir of any visit: the checkout.

Paying here is more like a border crossing than a transaction. Tons of registers are open, but they are entirely overwhelmed by the massive tide of humanity trying to leave the store with gigantic, overstuffed carts,

sometimes two to a person. Entering the area I'm thrust even closer together with my fellow shoppers, all jockeying for position with an aggression that would make a Nascar driver blush. Not coincidentally, as the lines back up, the sprawl of aspiring payers waits among the first few rows of merchandise, which happen to house the same high-ticket items we passed by when we arrived. You're supposed to salivate on the way in. You're supposed to marinate on the way out. And if Costco can't dare you into snapping up a flatscreen, they're happy to sell you a giant

pack of batteries or a gallon of hand sanitizer. Stay strong, friends. Because if you can endure this, you're free. Free to walk the half mile back to your car, pursued by drivers eager for your spot, then make your way home and unload your booty. At which point, for me, it kind of seems worth it.

Although my wife and I had to learn the hard way about impulse-buying, these days we're all business when we hit that floor. We've got a detailed list, and we rarely deviate. We bribe the kids to come and help with promises to look the other way while they gorge themselves on the free samples in the food aisles and to let them choose our one designated under-\$20 "splurge" item. We're ready for the checkout debacle and factor in an extra half hour, so if it takes 10 minutes, I'm not frustrated, I'm 20 minutes ahead. Getting home and putting away our thought-out, hard-won items is one of the more calming things that happens to me in a week.

There are many areas of my life I want to be spontaneous, my kitchen is not one of them. With four kids to manage, I'm a big fan of predictability. We currently have more soy milk in our house than they do at the nearby corner store. Which means I know that every time I open the cabinet to get some, it will be there. It's a little boring, but a lot soothing.

So despite all the annoyances and aggravation, I've made peace with this love-hate retail relationship. Only you know if bulk stores are right for you, your temperament and your wallet, but they definitely agree with us. We have seen ugliness that made us want to cancel our membership. We've also saved enough money to make us wonder if we could make our budget work without it. So for now we'll continue our weekly visits to the cathedral of consumption. These days it feels like life's too expensive not to. ●

FamilyCircle.com
Get recipes for bulk meat, poultry and fish at familycircle.com/bulkfood. To read real-mom warehouse shopping tips, go to familycircle.com/warehousesopping.

SHOPPING BY THE NUMBERS

We compared prices from our local supermarkets, a big nonmembership chain (Walmart) and Costco on a few key household items. Costco beat our supermarket by a mile, but in certain categories Walmart is giving them a run for their money (see chicken soup and paper towels), at least as far as name brands go. Remember, the really deep discounts at Costco (and BJ's and Sam's, for that matter) typically come from buying their house brands.

STORE	ITEM/SIZE	PRICE	UNIT PRICE
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SOY MILK

Supermarket	64-oz Silk Soy Milk	\$3.69	\$1.85/qt
Walmart	64-oz Silk Soy Milk	\$2.68	\$1.34/qt
Costco	12 x 32-oz, Kirkland	\$12.39	\$1.03/qt

CAMPBELL'S CHICKEN NOODLE SOUP

Supermarket	single can	\$1.39	\$1.39/can
Walmart	4-pack	\$2.00	\$.50/can
Costco	12-pack	\$6.99	\$.58/can

PAPER TOWELS

Supermarket	single roll	\$1.29	\$1.29/roll
Walmart	8 rolls	\$8.87	\$1.11/roll
Costco	15 rolls	\$16.50	\$1.10/roll

LAUNDRY DETERGENT

Supermarket	150-oz Tide 2x	\$26.99	\$5.76/qt
Walmart	150-oz Tide 2x	\$19.97	\$4.26/qt
Costco	170-oz Tide 2x	\$19.99	\$3.76/qt
Costco	170-oz Kirkland	\$13.69	\$2.58/qt

DISHWASHING LIQUID

Supermarket	16-oz Palmolive	\$1.69	\$1.69/pt
Walmart	38-oz Palmolive	\$3.77	\$1.59/pt
Costco	90-oz Palmolive	\$7.59	\$1.35/pt