

Managing Your Money
Every Friday



By Andrew Hkoff for USA TODAY

Exclusive shopper: David Daucanski, a member of shopping website Gilt.com, has purchased many items at the site. He says he hasn't been to a mall in years.

Retailers love exclusive shopping clubs

But experts warn against the lure of overspending

By Jayne O'Donnell
USA TODAY

David Daucanski says he hasn't been to a mall in at least five years, but he has a wardrobe that could get him on many best-dressed lists. He does all of his shopping online, about half of it on the designer sale site Gilt.com, which markets itself as a members-only shopping club.

Daucanski is one of the millions of people who belong to such sites, which also include Rue La La, HauteLook and the mom-oriented sites bTrendie and Totsy. The sites differ in strategy and offerings but are united in their air of at least quasi-exclusivity. The sites offer "flash sales" — deals on certain

brands or products that are only in effect for a limited time, usually a day or less.

Members typically have to be invited by a friend or endure a waiting list to get in on the deals. But signing up is typically free and can be as simple as providing a name and e-mail address.

Every morning, Daucanski gets an e-mail on his BlackBerry that announces Gilt's daily sales. After reviewing the brands and designers featured, he decides whether he wants to log on at noon.

When he does, he says, he buys something about 90% of the time and spends an average of \$300. He loves the quality of the merchandise and says the prices can't be beat.

"Most of the items that I have purchased on the site were brands I had purchased in the past at a greater cost," says Daucanski, an advertising executive from West Palm Beach who joined Gilt about two years ago.

The clubs, which have been around for a few years, solve a couple of the bigger problems facing retailers and brands: how to unload excess inventory (in a somewhat classy fashion) and how to get people to follow through on their online purchases. Many upscale designers hate to see their merchandise wind up at downscale discounters. And online shopping cart "abandonment" is one of the peskiest problems facing Web retailers.

'Purchase drivers'

While the private clubs can save sale shoppers a lot of time, they also can be risky temptations for those on a

Are the clubs a better deal?

Shoppers are increasingly turning to online shopping clubs rather than crowded malls to purchase high-end discounted designer items. Examples of prices from private shopping sites that fared better than other websites:

- Michael Kors belted puffer coat**
- ▶ Rue La La: \$129.00
 - ▶ Neiman Marcus: \$450.00
 - ▶ Michael Kors online: \$450.00
 - ▶ Bloomingdale's/similar coat: UGG Australia "midtown" belted puffer parka, \$450.00

- Cole Haan Genevieve woven triangle tote**
- ▶ Gilt: \$248.00
 - ▶ Bloomingdale's: \$276.50
 - ▶ Cole Haan online: \$249.95
 - ▶ Neiman Marcus: \$295.00
 - ▶ Saks Fifth Avenue/similar bag: Genevieve plaid small triangle tote, \$398.00

- Magaschoni cashmere turtleneck sweater**
- ▶ Rue La La: \$69.00
 - ▶ Neiman Marcus: \$150.00

- Lauren Merkin Eve sequins clutch**
- ▶ Gilt: \$100.00
 - ▶ Lauren Merkin retail: \$225.00
 - ▶ Bagshop.com: \$179.10
 - ▶ Red Square: \$225.00

Sources: USA TODAY research by Rachel Huggins

Find tips for being a careful invitation-only shopping club member at money.usatoday.com.



Photos by Rue La La

Members only

Membership is required to access the online community of private shopping clubs.

Members	
bTrendie	About 50,000
Rue La La	1.2 million
Ideeli	1.3 million
Gilt	1.6 million

Sources: The companies

budget or prone to overspending.

On Gilt, for example, shoppers have 10 minutes to complete a transaction or the items empty out of the shopping cart. A clock ticks off the time left for purchase. Daucanski calls the clock a "purchase driver." That's why it's important for shoppers to keep a "tight rein" on their spending, says debt counselor and Rue La La member Barbara Stark.

"It's the formula that has made TV shopping so popular," says Stark, director of education for the non-profit American Debt Counseling. "Because they have that clock ticking, you feel like if don't do it, you're missing

out. It's a hazard for people who need to be on a budget."

Adding to the excitement, if not temptation, on such sites: Some items can sell out in minutes or only a few hours. That frustrates some shoppers, including Eliza Kursh of Boston: "Good brands go so quickly that if you don't immediately buy a lot of items, you could miss out on the sale."

But from the business perspective, consumer behavior expert Marc Dietz calls the sites' use of timed sales "brilliance."

"This pressure put on the consumer ultimately causes them to purchase more quickly, instead of pondering over their purchasing decision and ultimately abandoning their items," says Dietz, CMO of retail technology company DemandTec. "These sites are true word-of-mouth successes."

GSI Commerce, which bought Rue La La's parent company last month for \$350 million, says 10% of the site's customers patronize it every day, a return rate most businesses only dream of. "It's appointment shopping," says Fiona Dias, a GSI executive vice president.

Price checks

Most of the sites buy directly from manufacturers, which often have returns from retailers or overstock that they can't sell to stores.

HauteLook CEO Adam Bernhard and Dias say their sites work directly with the brands to make sure the prices they are charging are the lowest being offered. That's made invitations to join highly sought after, if not hard to get. Kendra Boccelli of bTrendie says 99% of its members were referred by members who are strongly encouraged to invite others. Those who get 10 or more friends to join get even earlier access to sales.

"Friends do the work for Rue La La," says Dias, noting members invite only people they know would appreciate the deals. "Then they feel special, which fuels a sense of exclusivity."

But the founders of OneKingsLane, an online home furnishings and gift site, backed off of its members-only requirement in June.

"It's not a very friendly gesture to say you have to be invited to be a friend," says co-founder Alison Pincus. "It just didn't seem philosophically correct."

But it tends to be the norm. Totsy, which caters to moms, mothers-to-be and kids 7 and younger, launched in October and is invitation-only.

Dias says the sites are similar in concept yet more democratic than the original sample sales in Manhattan that only a small group of people often learned about.

"There's always been this sense that you have to be 'in the know' about this stuff," Dias says.