Buyer Beware: 4 Tips For Shopping At Going-Out-Of-Business Sales

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It seems the mighty have fallen. Big-name retailers like Sears and Kmart are closing doors around the country, and niche shops like Delia's are shutting down entirely. That means the newspapers will soon be littered with "going-out-of-business" ads. New products are going to be available at deep discounts!

The prime season for going-out-of-business sales is coming up. Struggling retailers will try to keep themselves afloat through the holiday season. Come January, they'll be facing down a new set of bills without a major spending season until at least April. That'll be the time they start shutting their doors and liquidating their merchandise.

It may seem like these sales represent a golden opportunity. Retailers have bills to pay and are desperate for cash. Meanwhile, consumers can buy stuff they need at a serious savings!

But it's not that simple. The owner of a store that's shutting its doors is still going to be responsible for the bills they owe. They're trying to minimize their losses by selling goods as fast as possible. They're also not counting on a lot of repeat customers, so they have little incentive to be truthful or honest. Watch out for the following tricks:

1.) 'As-is' merchandise

One of the first things most retailers do when they begin a liquidation sale is change their return policy. They're trying to get inventory out the door, and having it come back in prevents them from doing so. They won't take returns for any reason.

This little change can free them up to sell damaged, broken or otherwise defective merchandise at retail. Under ordinary circumstances, they'd never put the item on the shelf. Now, though, there's no reason to keep it in the back.

If you're buying fragile goods, like electronics or dinnerware, ask if you can open the box to make sure everything's there. If a store employee seems unwilling, think twice. You might be on the verge of buying a lemon.

Beyond damaged goods, retailers may attempt to do the same thing with mislabeled products. At clothing sales, stores may counting on impulse decisions to drive volume. Since the price is so steeply discounted, many people will be tempted to purchase without trying on first. This is a great way to end up with a dress that doesn't fit.

Also, don't count on a warranty. Manufacturers will try to direct you to your retailer to honor your warranty. They'll use this blame-shifting tactic to get out of paying for new merchandise. Expect the product you buy at a liquidation sale to receive no support.

2.) Discount gimmicks

There's so much money to be made from going-out-of-business sales that a new kind of company has emerged. So-called professional liquidators run these sales on behalf of companies. The first thing they'll do is mark up the prices of every item in the store by 20-30%.

Because of that, when you see "10% off everything in the store," you should really be reading "5% increase on everything in the store." The first weeks of a liquidation sale are an exercise in manipulative consumer psychology. The advertised discounts and the appearance of scarcity will drive consumer spending.

What keeps stores from running these kind of "mark-up/mark-down" sales all the time is reputation. When a store is going out of business, though, those concerns are the first thing out the door. "Everything must go" includes the brand and any integrity they've established with their customers.

While the discounts will come, they'll come much later in the sale. They'll also be on a much more limited selection of goods. Most of these firms increase their discounts weekly. By the second or third week of the sale, prices may be below retail.

3.) Buy now!

Liquidation sales rely on scarcity to create a sense of urgency. The limited time frame and small quantity of desirable goods can lead to impulsive decision-making. You can pay more for goods you don't really need if you're not careful.

Businesses may be desperate, but not quite in the way they're portrayed. They're desperate to make money now. The owners of these businesses have bills piling up and need cash. They're not afraid to make long-shot claims about the features or effectiveness of their products.

This sense of urgency is most palpable during the first week or so of the sale. This is when most firms plan to make the most of their money. Holding off will mean less selection, but it will also mean less pushiness from salespeople.

4.) How you pay matters

Obviously, if you have gift cards, use them or lose them. Competitors aren't going to honor those. Laws also provide little protection for gift card holders. Bankruptcy law treats them as creditors, meaning you'll have to fight for repayment with credit card companies and other lenders. In general, once the merchandise is gone, the card is worthless.

Paying cash for large-ticket items to a desperate business can also be a poor choice. If you're not leaving the store with your purchase, a cash deposit can leave you out of luck if they close before delivering your goods. You can sue, but the company doesn't have assets to pay your damages.

Your best bet is to pay with a credit or debit card. These instruments frequently have refund policies that exist independent of retailers. If the goods never show up, you can get your deposit back by calling your issuer. Leave as small a deposit as the retailer will allow to protect yourself as much as possible.

Shop liquidation sales like you shop everything else: cautiously. Consider your options and shop around to find the best prices and make sure you actually need something before you buy it. Liquidation sales can be a great way to score some savings, but be cautious on the way.

SOURCES:

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http://www.washingtonpost.com/lifestyle/style/how-to-shop-going-out-of-business-sales/2012/01/13/gIQA8ouIEQ_story.html