

# Analysis of the Marketing Issues and Implications Behind the Pink Tax

Ruixuan Lin

*College of Arts, Humanities and Social Sciences, The University of Edinburgh, Edinburgh, U.K.*

**Keywords:** Marketing, Economics, Gender Equality.

**Abstract:** The term "pink tax" describes the widespread occurrence of gender-based pricing disparities in the contemporary consumer market, where women are often required to pay more for similar or identical goods and services. This problem worsens gender inequality and affects the economic rights of female consumers. This paper examines the marketing strategies behind the pink tax, including gender-based pricing, market segmentation, and target marketing, and explores its impact on consumer behaviour and social equity. The findings indicate that the existence of the pink tax stems from firms' use of gender differences in product pricing, which is further reinforced by consumers' social identity mentality and gender stereotypes. In addition, the lack of market regulation and consumer rights awareness contributes to the persistence of the pink tax across several industries. To address this issue, this paper proposes policy and regulatory improvements, corporate pricing strategy adjustments, and the enhancement of consumer rights awareness to promote market fairness and gender equality.

## 1 INTRODUCTION

In today's society, gender equality has become a global concern. However, inequalities against women persist in many fields, one of which is the "pink tax". The pink tax refers to the fact that women often pay higher prices for goods and services that are similar or identical to those marketed to men. This phenomenon is widespread in daily life; for example, women's razors, shampoos, and clothing are often priced higher than their male counterparts. This issue has not only triggered consumer scepticism but has also led to extensive discussions in academia and the broader community.

With the continuous development of the consumer market, enterprises often adopt differentiated pricing strategies to meet the needs of various consumer groups and maximise their profits. However, in some cases, such strategies have evolved into unfair pricing practices targeting female consumers, i.e., the pink tax. In recent years, there has been growing interest in the pink tax phenomenon, with actions being taken to challenge unjustified gender-based pricing differentials. Additionally, frequent media coverage of this issue has further drawn widespread public attention.

The study of the pink tax phenomenon holds both theoretical and practical significance. From a theoretical perspective, it provides insights into the marketing logic behind gender-based pricing strategies and contributes to research in the fields of marketing and consumer behaviour. From a practical standpoint, it helps raise consumer awareness of their rights, promotes corporate social responsibility, and fosters social fairness and gender equality. This paper primarily analyses the marketing strategies behind this phenomenon, explores its impact on consumers and society, and proposes corresponding recommendations for improvement.

## 2 THE MARKETING STRATEGIES BEHIND THE PINK TAX

### 2.1 Application of Gender-Based Pricing Strategy

Gender-based pricing strategy is one of the core mechanisms of the pink tax phenomenon, which refers to the fact that companies develop different pricing strategies based on the gender of the consumer to obtain higher profits (Guittar et al.,

2022). A 2015 study by the New York State Department of Consumer Affairs (NYDCA) showed that products targeted at women are priced, on average, 7% higher than similar products for men. This percentage may vary by type of product, such as 7% for toys, 8% for adult clothing, and 13% for personal care products (Nguyen, 2021). Guittar et al. studied more than 3,000 personal care products and found that while the pink tax does not apply to all product categories, women pay more when purchasing the majority of personal care products, such as deodorants and moisturisers (Guittar et al., 2022). In particular, the price difference for hair care products is as high as 48 per cent. This is because women need to purchase shampoo and conditioner separately, whereas, for men, shampoo and conditioner are usually combined into one product (Nguyen, 2021). Women also usually pay more than men when using services such as hairdressing, car-buying advice, laundry and ironing. For example, women pay, on average, 25% more than men for the same haircut at a hairdresser (Nguyen, 2021).

In addition, Habbal notes that the pink tax may also be influenced by government tax policies, such as higher import tariffs imposed on some female goods, especially clothing and footwear (Habbal et al., 2020). Betz et al. found that by comparing tariffs on nearly 200,000 pairs of men's and women's goods in 167 countries or territories, imported women's goods were taxed at an average rate of 0.7 per cent higher and that this difference was exacerbated by transactions between wholesalers and retailers (Betz et al., 2021).

## **2.2 Factors Contributing to the Existence of the Pink Tax**

### **2.2.1 Market Segmentation and Target Marketing**

Market segmentation is one of the most important factors in the formation of pink taxes (Barnes & Brounstein, 2022). Companies segment the market into small groups with similar needs, perceptions and income levels and develop targeted marketing strategies to increase brand loyalty and profitability (Nguyen, 2021). There are many types of market segmentation, among which segmentation by gender is very common. 85% of the world's purchases are dominated by women, so most companies develop marketing strategies that target women (Chua et al., 2022). A study by Chua et al. found that companies portray similar products as gender-specific and exclusive by using colours, packaging, and

advertising language to create price differences. For example, women's razors are usually in pink or pastel shades, while men's are in blue or black. Even though both have the same functionality, there is a significant price difference (Chua et al., 2022). Many young women lack awareness of the pink tax phenomenon and are therefore more likely to be influenced by brand promotions, thus accepting higher-priced female-specific products (Chua et al., 2022).

### **2.2.2 Consumer Behaviour and Psychological Analysis**

From a psychological point of view, social identity and gender stereotypes have a significant impact on female consumers' purchasing decisions. Society expects different things from men and women, resulting in men and women having different needs in life. Research has shown that women tend to buy products that reflect the beauty of their appearance. When it comes to clothing, men tend to view clothing as a basic need, while women view clothing as a useful tool to show personal value or provide a sense of social belonging (Nguyen, 2021).

In addition, gender differences cause men and women to respond differently to factors that influence consumer behaviour. As an example, for an advertising message, women usually pay more attention to the details while men pay more attention to the whole. As a result, females are usually more influenced than males when exposed to a brand's message, such as advertising models, slogans and images (Nguyen, 2021).

## **3 SYSTEMIC PROBLEMS AND CONSEQUENCES OF THE PINK TAX**

### **3.1 Obstacles Preventing Consumers from Resisting the Pink Tax**

#### **3.1.1 Inadequate Consumer Protection**

Because the pink tax is invisible, most women are unaware that they are being discriminated against, especially those who are not capable of picking out goods or who do not have access to the internet (Nguyen, 2021). Although the issue of the pink tax has gradually received widespread social attention in recent years, consumers still lack effective means of defending their rights in the face of unfair pricing. Nguyen points out that many female consumers lack

awareness of the existence of the pink tax, and even if they are aware of the problem, they are often unable to take effective action due to legal loopholes (Nguyen, 2021).

Moshary et al. analysed retail market data and found that it is often difficult for female consumers to access price transparency. Many companies use ambiguous pricing strategies, making it difficult for women to identify the existence of gender price discrimination when purchasing products (Moshary et al., 2023). Due to the competitive market mechanism, the overall market maintains this unfairness even when certain brands try to remove the pink tax (Moshary et al., 2023).

In addition, Brand and Gross showed that online shopping recommendation systems also exacerbate the effects of the pink tax. They found that when female consumers were shopping for clothing, the system typically recommended more expensive products, while male consumers were more likely to receive less expensive recommendations (Brand & Gross, 2020). This, again, makes it difficult for female consumers to access transparent price information and leads to a lack of awareness of their rights.

### **3.1.2 Lack of Corporate Social Responsibility**

Firms tend to make more profits through gendered marketing strategies rather than being proactive in their social responsibility. Barnes and Brounstein noted that although many brands emphasise gender equality in their promotions, gender pricing discrimination still exists in their actual pricing strategies, especially in the beauty, care and apparel industries (Barnes & Brounstein, 2022). Some companies and brands explain that women's clothing is more expensive than men's because of different production costs. However, retail prices are not determined by the manufacturer but by the retailer and retailers, as traders will always set a price that allows them to make a profit (Nguyen, 2021).

A study by Chua et al. found that some firms take advantage of consumers' perceptions of gender labels by shaping gendered products through packaging and advertisements so that consumers unknowingly accept the pink tax (Chua et al., 2022). In addition, some firms rationalise price differences by adding extra features (e.g. fragrance, packaging design), but in reality, the cost of these extra features is much lower than the premium (Chua et al., 2022). In most cases, the only difference between gendered products is the colour rather than a substantial quality improvement (Chua et al., 2022).

## **3.2 Gender Discrimination and Social Equity**

The pink tax is not just a pricing strategy in a market economy; it also reflects deep-rooted gender discrimination. According to a study conducted in California, USA, in 1994, the pink tax caused women to pay approximately \$2,191 more per year than men (Nguyen, 2021). Habbal points out that the existence of the pink tax causes women to face higher financial burdens when purchasing daily necessities, and this phenomenon is especially prominent among low-income female groups. As women's average wages are already lower than men's, the pink tax further exacerbates gender income inequality (Habbal et al., 2020). According to the OECD 2020 report, the gender income gap exists in most countries in the world (Nguyen, 2021). Some have argued that women can avoid suffering the effects of the pink tax by purchasing men's products. However, it can place women in gender-challenging situations and force women to adjust their needs and preferences to fit into the male world (Nguyen, 2021).

Pervasive gender discrimination leads to the underrepresentation of women in political positions, which in turn results in policy outcomes that disadvantage women, such as increased import tariffs on women's goods (Betz et al., 2021). Studies have shown that in democratic countries, the lack of equal representation for women contributes to higher annual tax penalties imposed on female consumers, with an estimated cost of \$324 million per country (Betz et al., 2021). This imbalance in political decision-making further aggravates economic inequality between genders.

## **4 RECOMMENDATIONS FOR ADDRESSING THE PINK TAX**

### **4.1 Improvement of Policies and Regulations**

Governments should increase efforts to regulate the pink tax phenomenon and introduce stricter laws and regulations to ensure fair competition in the marketplace. Hatch suggests that governments should require companies to be transparent in their pricing and list the cost components so that consumers can identify whether there is an unjustified gender-based pricing disparity (Hatch, 2021).

The California Gender Tax Repeal Act of 1996 prohibits gender-based pricing of consumer services.

In 2022, California expanded its statute to include commodity pricing under gender-based pricing as well (Moshary et al., 2023). New York State's FY2021 budget bill also includes a provision prohibiting the pink tax (Moshary et al., 2023). Other governments can learn from their approach by legislating against gender-specific pricing discrimination and increasing scrutiny and enforcement of retailers (Hatch, 2021). However, the existing laws have limitations in scope and effectiveness. For example, New York State law allows retailers to charge more for goods if they can justify the price difference based on factors such as cost, labour, and materials (Guittar et al., 2022). As a result, manufacturers and retailers can exploit this loophole by making minor changes to the product to justify a price increase (Guittar et al., 2022). The development and improvement of relevant regulations require a long and gradual process.

In addition, the government can enhance market monitoring mechanisms, establish consumer reporting channels, and impose financial penalties on non-compliant enterprises to increase the cost of non-compliance and encourage businesses to proactively adjust their pricing strategies. The government can also incentivise enterprises to provide gender-neutral products to promote fair market competition.

#### 4.2 Adjustment of Enterprises' Pricing Strategies

Enterprises should abandon gender-based pricing strategies and adopt more equitable and transparent pricing methods. They can adjust their production and marketing strategies to minimise unnecessary packaging and excessive marketing costs, ensuring that products are offered at uniform prices. By promoting gender-neutral products, companies can also help reduce discrimination resulting from gender-based branding.

Additionally, companies can build consumer trust through transparent pricing strategies. For example, listing the cost breakdown on product packaging or promotional materials would allow consumers to assess the value for money of their purchases more rationally.

#### 4.3 Enhancing Consumers' Awareness of Their Rights

Consumers should increase their awareness of their rights, deepen their understanding of the pink tax, and take action against unfair pricing. Social media and consumer advocacy organisations can play a greater

role in raising public awareness of the pink tax and pressuring companies to revise their pricing strategies.

Furthermore, consumers can utilise legitimate channels to advocate for fairer pricing practices and encourage companies to improve their pricing models. Social organisations and the media can intensify public awareness campaigns to expose instances of the pink tax and encourage consumer vigilance in monitoring market prices.

## 5 CONCLUSION

This paper discusses the "pink tax" phenomenon and the marketing strategies behind it, analysing its impact on consumers and society. The study shows that through gender-based pricing strategies, market segmentation, and target marketing, enterprises have caused female consumers to bear a higher financial burden when purchasing goods and services. At the same time, the pink tax not only exacerbates economic gender inequality but also exposes the inadequacies of market regulation and the weakness of consumer rights awareness.

To address this problem, this paper proposes three suggestions for improvement: First, the government should improve relevant laws and regulations to strengthen the oversight of the pink tax phenomenon and ensure fair competition in the market. Second, enterprises should adjust their pricing strategies, abandon gender-discriminatory pricing models, and promote the development of gender-neutral products. Lastly, consumers should enhance their awareness of their rights and resist unfair gender-based pricing through collective action, social media, and legal channels.

Overall, the pink tax phenomenon is not only a market economy issue but also an important challenge related to social equity and gender equality. Only through the joint efforts of the government, enterprises, and consumers can gender-based pricing discrimination be effectively reduced, fostering a fairer and more reasonable market environment.

## REFERENCES

- A. B. Chua, A. Hidalgo, J. J. Huyo-a, A. J. G. Santos, Pink power: The extent of awareness, driving factors, and overall perception of Filipina youth consumers in Metro Manila, Philippines on pink tax caused by pink marketing strategy. *J. Bus. Manag. Stud.* 4(2), 277-293 (2022)

- A. B. Chua, A. Hidalgo, J. J. Huyo-a, A. J. G. Santos, Pink power: The extent of awareness, driving factors, and overall perception of Filipina youth consumers in Metro Manila, Philippines on pink tax caused by pink marketing strategy. *J. Bus. Manag. Stud.* 4(2), 277-293 (2022)
- A. Brand, T. Gross, Paying the pink tax on a blue dress-- Exploring gender-based price-premiums in fashion recommendations, in *Human-Centered Software Engineering: 8th IFIP WG 13.2 Int. Working Conf., HCSE 2020, Eindhoven, The Netherlands, Nov 30-Dec 2, 8*, 190-198 (2020)
- H. L. Habbal, R. Lemke, A. J. Felkey, An economic analysis of the pink tax, Ph.D. thesis, Lake Forest College (2020)
- K. Barnes, J. Brounstein, The pink tax: Why do women pay more? Available at SSRN: 4269217 (2022)
- M. Hatch, Is trade sexist? How "Pink" tariff policies' harmful effects can be curtailed through litigation and legislation. *BYU Law Rev.* 47, 651 (2021)
- S. G. Guittar, L. Grauerholz, E. N. Kidder, S. D. Daye, M. McLaughlin, Beyond the pink tax: Gender-based pricing and differentiation of personal care products. *Gender Iss.* 39(1), 1-23 (2022)
- S. Moshary, A. Tuchman, N. Vajravelu, Gender-based pricing in consumer packaged goods: A pink tax? *Mark. Sci.* (2023)
- T. Betz, D. Fortunato, D. Z. O'Brien, Women's descriptive representation and gendered import tax discrimination. *Am. Polit. Sci. Rev.* 115(1), 307-315 (2021)
- T. D. T. Nguyen, Current situation and impact of the pink tax to female consumers--Some policy implications. *VNU J. Sci.: Policy Manag. Stud.* 37(3) (2021)