

Pink is the Color of Money: Are Retailers Using Gender Pricing?

According to a price comparison, women are paying on average 17 percent more than men for virtually the same perfume in Singapore. Similar trends and numbers are also observed in other South East Asian markets. This can't be called discrimination though, according to the authors. In this article, they examine how clever retailers are simply using their leeway in terms of pricing differentiation. Dr. Jochen Krauss is the Managing Partner of the Simon-Kucher & Partners office in Singapore. Dennis Capuyan is Director, Consumer Goods and Retail, at Simon-Kucher. They can be reached via www.simon-kucher.com.

An outcry was made by the British press in the beginning of this year. According to research by London's *The Times*, women are being systematically discriminated against by retailers in terms of setting prices. Women's versions of products are up to 37 percent more expensive than nearly identical products for men.¹ Many believe that this is a scandal. Yet this absolutely common and legitimate approach to pricing has existed since time immemorial. It's about differentiation, not discrimination.

These findings by the British press present an opportunity to analyze a sampling

of products in Singapore and other selected South East Asia (SEA) markets to see how things stack up with the alleged gender-based pricing. The findings show that such price disparities exist. Cosmetic products, and in particular perfumes, are the most notable for price disparities.

In Singapore, women pay an average 17 percent more than men for the same sized product of the same brand. The trend and level of average price disparities were also observed for similar fragrance brands and products in the other Southeast Asian markets of Indonesia, Malaysia and the Philippines (see [Table 1](#): based on regular prices; sales prices were excluded from the analysis).

People can either loudly complain about gender price discrimination or they can look at the fact that women obviously are willing to pay systematically higher prices for these products. Or, to put it differently: consumers (regardless of their gender) who buy these fragrances for themselves or for others as presents show this willingness. It is absolutely legitimate for retailers to take advantage of this situation.

Retailers often simply adopt the suggested retail prices from the manufacturer, which in this context turns out to be the right thing to do. These manufacturers are very well aware that price differentiation is a crucial part of a pricing strategy; often it is they who ensure that these differentiated retail prices are implemented in the marketplace. Be that as it may, this practice has by no means deterred the growth of the women's fragrances market. In Singapore, the premium women's fragrances segment has grown twice as fast as the total fragrances market in the past five years.²

However, aside from cosmetics and perfumes, it proved to be extremely difficult to find identical products for the price comparison in Singapore and the other SEA markets where a price disparity existed by gender attribution, while all other factors basically remaining the same. For example, a sampling of standard clothing and sports items showed no price disparity: the prices for identical products for women and men were frequently the same. A fact that should reassure consumers.

Price differentiation is common practice
Systematically taking advantage of the difference in willingness to pay of otherwise homogeneous consumer groups is nothing new. Price differentiation is an essential tool for optimizing profits and is quite common among retailers here in Asia. But also in other service industries such as transport, travel, or logistics it is employed regularly. It is notable how consumers accept paying more than others for their airline seats or hotel rooms.

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The key, however, is that the reason for the price disparity can be explained and justified. With the example of an airline ticket or hotel room, an early booking would fulfill that criteria.

Retailers should avoid evoking the impression that a price disparity – based either on timing or target group – is be-

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Table 1: Price comparison of cosmetics in Indonesia, Malaysia, Philippines and Singapore, analysis of sampling by Simon-Kucher & Partners, March 2016 (extract)

Country	Product	Brand	Men price	Women price	Price difference
	Gucci Guilty EdT 50ml	Gucci	 IDR 985,000	 IDR 1,350,000	37%
	Acqua di Gio EdT 50ml	Giorgio Armani	 IDR 1,400,000	 IDR 1,500,000	7%
	Kenzo L'Eau Par 100ml	Kenzo	 IDR 1,247,400	 IDR 1,344,800	8%
	Chanel Allure EdT 100ml	Chanel	 IDR 1,700,000	 IDR 2,200,000	29%
					Ø -20%
	Gucci Guilty EdT 50ml	Gucci	 MYR 223	 MYR 296	33%
	Acqua di Gio EdT 50ml	Giorgio Armani	 MYR 243	 MYR 286	18%
	One Million EdT 50ml	Paco Rabanne	 MYR 247	 MYR 274	11%
	Chanel Allure EdT 100ml	Chanel	 MYR 209	 MYR 240	15%
					Ø -19%
	Gucci Guilty EdT 50ml	Gucci	 PHP 4,350	 PHP 4,950	14%
	Acqua di Gio EdT 50ml	Giorgio Armani	 PHP 2,850	 PHP 3,300	16%
	One Million EdT 50ml	Paco Rabanne	 PHP 3,850	 PHP 4,550	18%
	Kenzo L'Eau Par 100ml	Kenzo	 PHP 4,000	 PHP 4,500	13%
					Ø -15%
	Gucci Guilty EdT 50ml	Gucci	 SGD109.00	 SGD125.00	15%
	Acqua di Gio EdT 50ml	Giorgio Armani	 SGD89.00	 SGD99.00	11%
	One Million EdT 50ml	Paco Rabanne	 SGD99.00	 SGD138.00	39%
	Kenzo L'Eau Par 100ml	Kenzo	 SGD89.90	 SGD95.00	6%
	Chanel Allure EdT 100ml	Chanel	 SGD209.00	 SGD240.00	15%
					Ø -17%

ing concealed on purpose. Otherwise, consumers will be quick to believe they are being cheated. There should be a clear perceived value to the consumer – whether it be the product benefit or simply the shopping experience itself. This perceived value will be directly related to willingness to pay.

Retailers or manufacturers that properly implement and openly communicate this type of price differentiation are doing everything by the book. Thus one can say that the media outcry is exaggerated. Consumers are not being tricked,

quite the contrary. Women still have the freedom of choice on which fragrance brands and products they want to buy. The issue is really about professionalism. Systematically identifying and taking advantage of the differences in willingness to pay of various consumer groups is a sign of someone who has mastered the art of pricing.

References

1. Research conducted by *The Times* on hundreds of products from British high streets. Pink disposable razors, for example, cost

double the amount of blue ones. The same is true for jeans: for the same waist size of a pair of Levi's 501 jeans, women's cost almost double the amount of men's. Source: *The Times UK*, "Women charged more on sexiest high street", January 19, 2016, <http://www.thetimes.co.uk/tto/money/consumeraffairs/article4668903.ece> (last accessed February 16, 2016)

2. Source: Fragrances in Singapore. Euro-monitor International July 2015 report, Sales of Fragrances by Category CAGR 2009-2014: Premium women's fragrances versus total fragrances (men & women)