

Why Do Women Pay More for Shampoo? It's Not Sexism

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Barely a week goes by these days without businesses' pricing decisions being pored over by politicians. Whether it's "greedflation," "junk fees," "price gouging," "shrinkflation," or the temerity of Wendy's for considering "dynamic pricing," Democrats in particular have slammed companies for supposedly ripping us off.

On one level, this is unsurprising. After a period of high inflation, politicians are desperate to divert blame away from Washington and toward businesses. Yet the past decade has seen moral panics about "unfair" pricing strategies even in normal times.

As a chapter in the new book I edited, *The War on Prices: How Popular Misconceptions about Inflation, Price Controls, and Value Lead to Bad Policy*, reminds us, it wasn't long ago that we were told prices were "sexist." During the late 2010s, it became conventional wisdom that companies were systematically charging more for the "same" products when they were marketed to women rather than when they were marketed to men. The whole tale is a case study in the meme-ification and bad economics that lie behind much anti-corporate-pricing hysteria.

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The drumbeat for action got going in 2015. That year, the New York City Department of Consumer Affairs undertook a study comparing 397 pairs of "gendered" products available from 24 New York City retailers. It found that versions aimed at girls and women — including toys, clothes, personal-care items, and health-care products for seniors — were, on average, 7 percent more expensive than comparable items for boys and men. Women and girls faced an apparent 13 percent premium for personal-care products and an 8 percent surcharge on adult clothes.

A Radio Flyer Red "My 1st Scooter" sold at Target was advertised at \$24.99, whereas a Radio Flyer Sparkle Pink "Girls My 1st Scooter" went for \$49.99, the report showed. Adult dress shirts were 26 percent more expensive in the women's line, while five Schick Hydro Silk women's razor cartridges were advertised for \$18.49, against \$14.99 for Schick Hydro 5's with blue packaging. These weren't anomalies. Women's versions were the more expensive of product pairs 42 percent of the time, against just 18 percent of the time for men's.

The report, commissioned by then-mayor Bill de Blasio, propagated a strong conclusion: Women were being discriminated against by sexist corporations. They were paying more for similar

products, “from cradle to cane” (the report’s title), because businesses were squeezing higher “markups” — or profits — from them.

Given that women’s products were commonly “gendered” by virtue of their packaging and coloring, the term “pink tax” took off. A member of Congress, the Government Accountability Office, and various academics all rattled off studies echoing New York City’s results. Newspapers loved the narrative, running their own crude analyses finding higher prices for women for personal-care items such as razors, hair-care products, deodorants, and body washes but also for clothes, footwear, and more.

The most progressive parts of the country ultimately passed legislation against gendered pricing. New York (in 2020) and California (in 2023) prohibited charging different amounts for “substantially similar” goods marketed to different genders. Manufacturers and retailers that vary prices for gendered products that have the same materials, uses, features, and branding, despite no major difference in production techniques, time, or cost, are liable for civil penalties. Differentiating the color of the product or packaging is no defense.

Although no federal law was passed that would prohibit charging men and women different prices for goods or services, former representative Jackie Speier (D., Calif.) tried four times to introduce the Pink Tax Repeal Act, which would have instituted a law like California’s nationwide.

But despite all the alarm, we now know that the “pink tax” is a myth. Not in the sense that the prices recorded in these studies are incorrect. Rather, women often willingly pay more, on average, for products that are subtly differentiated. In other words, the reason that women are paying more for the “same” goods is not sexist discrimination but that the products they prefer are often *not* the same.

This result is intuitive to economists. If women regarded a pair of gendered products as perfectly substitutable, then, faced with higher prices for goods marketed to them, they would be incentivized to buy the male or gender-neutral variants. That would make the differential-pricing strategy unprofitable for companies, leading to price equalization.

Sure, it’s harder to shift consumption of, say, clothing or footwear. But when it comes to goods such as razors, shaving cream, and hair-care products, there are no barriers that prevent women from buying the alternative versions. Markets provide incentives to eradicate any gender bias in pricing. Evidence shows that 45 percent of married women buy their husband’s deodorant, for example, which shows that they are aware of the options.

An economist would hypothesize that observation of a “pink tax” reflects genuine differences between products marketed to each gender. Perhaps the goods have different attributes, ingredients, or scents. Or maybe the size of products, production scale, advertising costs, and packaging are different. If any of these differences are present, then we have possible explanations other than sexism for the price differentials.

Accounting for all such factors is impossible. Still, 2021 research sought by the Federal Trade Commission and conducted by economists Sarah Moshary, Anna Tuchman, and Natasha Bhatia

Vajravelu supports this hypothesis. Their findings on thousands of stores imply that the pink tax reflects product differentiation rather than sexist discrimination.

These economists looked at the price per unit for “gendered” personal-care items in nine categories (bar soap, body wash, deodorant, hair coloring, razor blades, disposable and non-disposable razors, shampoo, and shaving cream). Using the sort of simplistic analysis that compares two products marketed at each sex, they found an average 10.6 percent “pink price gap.” Women’s items seemed significantly more expensive in four categories, with no statistically significant difference in the other five.

Yet most products marketed by gender were, in fact, highly differentiated — there was very little overlap in the ingredients for bar soap, body wash, deodorant, hair coloring, shampoo, and shaving cream.

When the sample was restricted to apples-to-apples comparisons in which product pairs had the same major ingredients, women’s versions were only 0.05 percent more expensive than men’s, on average, and cheaper for body wash, shampoo, and shaving cream. In short, the main reason women paid more for some products was that those products used different ingredients.

That women pay more for *different* products from men’s versions (which, of course, they are still at liberty to buy) isn’t exactly a hard-hitting story about sexist pricing. But this result raises a new question: What causes these women’s versions to have higher prices? Are markets for women’s products just less competitive, such that firms have more power to charge higher prices? Do women show more product loyalty, allowing companies to charge more for the goods they buy? Or is it that the goods women prefer are just costlier for manufacturers to produce?

University of California, Berkeley, economists Kayleigh Barnes and Jakob Brounstein used the Nielsen Consumer Panel Survey, combined with store-level data on prices and quantities sold in big-box and grocery stores, to look at overall purchase histories of men and women in single-member households. Any product bought over 90 percent of the time by one gender they deemed a “gendered product.”

Again, they found that women pay an average of 15 percent higher prices on “gendered” products relative to men. Yet this wasn’t because women were buying products in less concentrated markets. Nor were they less sensitive to price; indeed, they were more sensitive, suggesting they are, on average, more-careful shoppers.

The typical reason women pay higher prices seems to be that the goods they prefer have higher marginal manufacturing and distribution costs. Looking at five “gendered” product markets in detail — yogurt, deodorant, disposable razors, shampoo, and protein bars — the researchers found that this was true in all categories but the last.

That the costs of women’s goods are higher may explain the apparent pink tax in other sectors, too. For women’s health and beauty products, the ingredients and formulations could simply be more expensive on average. Men’s products and clothes tend to be larger or more standardized, potentially leading to some volume cost savings in production. Advertisers have greater demand

for women's impressions, leading, potentially, to a higher marginal cost of obtaining a new customer.

We can speculate on explanations for each item. The hard evidence for retail and personal-care products shows, however, that firms aren't squeezing higher profits from women. Women are opting for items that are costlier to produce.

So far, this evidence has had little impact on public debates. Newspapers continue to repeat claims about gender discrimination in pricing. Minnesota's *Star Tribune*, invoking the pink tax, boomed in March: "Women's salaries are lower, and their expenses are higher." Many women believe that they are being ripped off, New York's and California's laws remain on the books, and other state legislatures are considering copycat bills.

Intriguingly, this seems a top-down political and journalistic phenomenon. The Government Accountability Office reports that federal agencies received very few complaints about gendered pricing before 2018. As of late 2023, New York had received only three complaints under its new law, while California had received none. One suspects that this isn't because companies changed their product lines dramatically to comply with the legislation.

Of course, some women customers may still be angry about observed price differentials, but there is nothing to stop a woman from buying a different product marketed to men. Indeed, the Federal Trade Commission research shows that households could save up to 9 percent on personal-care products, on average, by opting for the cheapest products differentiated by gender.

Some women's groups respond that there's an expectation about how women should look and smell, or what they should buy, and that these social norms push women to purchase higher-priced items. As with the gender pay gap, disentangling what people say they want from what they actually choose is difficult, but some women say they'd prefer a greater array of genderless products.

Again, however, it's markets that provide incentives for companies to produce unisex or gender-neutral products. Bic, for example, launched gender-neutral facial moisturizer, body lotion, and shaving cream in 2020. There's no reason why these product lines will not expand if that's what women customers desire.

Yes, some gender price differentials are more obviously discriminatory. Hairdressers often charge more for women's haircuts even when a woman seeks the same style as a man. They set prices by assuming that women, on average, have longer hair or more-varied styles. That seems true, but there is no reason the stereotype must be applied to every haircut individually.

Likewise, some government tariffs are a literal "pink tax" — charging higher tax rates on imports of, say, women's underwear (15.5 percent) than on men's (11.5 percent), and more for women's golf shoes, suit jackets, and insoles.

The key point, however, is that the economic story we've been told about the pink tax is false, and that legislation to deal with the alleged problem therefore won't end price differentials or satisfy activists.

Ultimately, most goods are differentiated by price because of differences in materials, uses, features, and branding, which means that barely any product should fall afoul of the laws in New York and California. To the extent that legislators impose rules seeking to equalize pricing for different products, they may harm customers who prefer the higher-priced options, since companies might avoid producing those product versions altogether if forced to sell them at unprofitable prices.

Unfortunately, this is the sort of muddle one gets into with knee-jerk populist campaigns against market prices. As today's politicians turn their guns against shrinkflation, various "junk fees," and "dynamic pricing," the myth of the pink tax is a cautionary tale.

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