

SAC Knowledge Hub

Date: 6th September 2018



Source: steemit.com

Pink Tax: Gender-based Tariffs

“Pink Tax” is a modern concept defined by price disparities between consumer products targeted at different genders, with seemingly higher prices charged to female consumers. Anecdotal evidence suggests that products, usually coloured pink, aimed at females have been priced higher than male products, which gave the term its “pink” label. Observers have deemed it a tariff penalising the female consumer, while businesses have proposed that costs for female products are higher. Globally, pricing inequality has been a topic on the rise for political dissensions as well as economical conversations. Much of this conversation stemmed from Feminism and prolonged unequal treatment of genders. Although gendered topics are gaining traction within Asian markets, it has already taken centre stage in the Western world. Taking on a financial and economical focal point, this is an investigation of the effects of gender-based pricing, tariffs and its premises.

Pink Tax: Gender-Based Tariffs

Date: 6th September 2018

Gaining the Spotlight

It started in the United States (“US”) when famed figureheads campaigned on Feminism and advocacy of gender equality was on the rise. The Straits Times indicated that the term “Pink Tax” became popular around 2014 in the US and France because activists and the media began to highlight the existence of such gender-based pricing. America being the leader of global news and conversation, skyrocketed the idea of equalizing the female race and giving the population equal chances and treatment. The peak of the conversation came when female candidate Hilary Clinton was in the running for the Presidency of the United States, in direct contention with alpha-male icon Donald Trump. Eventually, the media’s spotlight went on to discuss American consumers’ displeasure at the price differentiation between similar products for opposing genders.

Global View

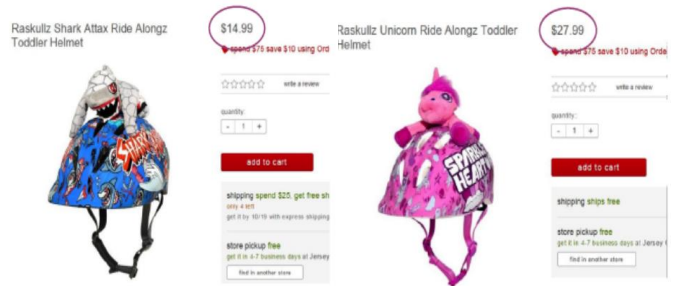

New York

The New York City Department of Consumer Affairs (“DCA”) conducted a 2015 study on gender pricing of goods in the city across multiple industries.

The findings were in favour with the “pink tax” hypothesis that across approximately 800 products sold in New York, women’s clothing was being priced at an approximate 8% premium compared to counterpart products for men.

The DCA’s research findings were effective in influencing the New York City Council in passing a law to prohibit unequal pricing of services catering to different genders. The law was added to the Consumer Affairs section of the NYC Administrative Code, which enabled the DCA to issue violations to retail service businesses that price services discriminately. This topic sparked national awareness and eventually influenced other states to re-examine consumer pricing for services like haircuts.

The study showed examples of toddler helmets and waist support for senior citizens being priced differently despite having almost exact material features.

Source: www1.nyc.gov

Although the above examples justifies the conversation that “pink tax” exists, there are also limitations to such comparisons as male and female products are rarely identical, making completely fair comparisons difficult to achieve.

With children’s clothing, the DCA report found that nearly every blouse available for girls, from almost all tested retailers, had additional trimmings such as bows, glitter or 3-D elements. Boys’ shirts were generally plain with printed designs and rarely had additional trimmings. The difference in embellishments for gendered products incurs additional costs for manufacturers, which then contributes to higher retail prices.

Pink Tax: Gender-Based Tariffs

Date: 6th September 2018

Europe

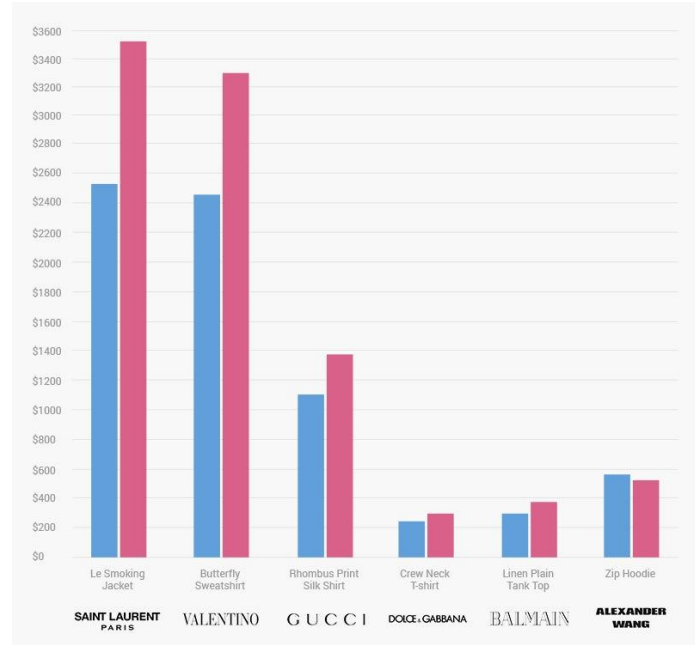
The ripple effect of “pink tax” reached British consumers as they started an online petition over unequal pricing of razors in Boots, a UK pharmacy chain, which cost £2.29 (\$3.19) for a pack of 8 for women, compared to £1.49 (\$2.11) for a pack of 10 for men. Taking in public feedback, Boots revised its pricing on its products.

A sizeable contributor to the European economy is the luxury consumer industry. In the European market, Value-Added Tax (“VAT”) differs according to product categories and amount spent on the goods, instead of being dependent on gender. However, investigating one of the most vibrant industries of Europe, luxury consumer goods have gained a lot of attention towards its inconsistent pricing of clothing with identical designs for men and women.

The UK’s Business of Fashion (“BoF.com”) intelligence report takes a closer look at companies adopting such pricing strategies and the reasons for pricing differences. As illustrated on the right, the BoF.com highlights how 2 products with the same printed fabric for men and women, could be sold at different prices. While most retailers have stated that female products are priced higher due to higher costs of production, brands like Saint Laurent and Valentino are blatant in using the demand pricing strategy on some products.

Demand pricing occurs when companies knowingly price a gender’s products higher because they would be willing to pay for a premium price.

The other factor to consider is cost of advertorial campaigns for male and females are different. Based on anecdotal observations, advertising catering to females are more frequent than male campaigns. The budget for targeting the female market would naturally be derived from sales of their products. Hence, there is a strong correlation between marketing costs and retail pricing of the products.



Price differences between male and female versions of fashion products
Source: www.bof.com, Paul Price Illustration



Source: www.bof.com, Paul Price

Pink Tax: Gender-Based Tariffs

Date: 6th September 2018

Singapore

Insurance

Locally, the recent gender discrimination outrage was sparked after the upcoming CareShield Life Scheme was announced to be compulsory for Singaporeans aged 40 and younger in 2020. The Ministry of Health stated that women under the scheme will be charged a higher premium. The Straits Times article reasoned this premium “based on research that they live longer and are expected to suffer from disabilities for a longer period.”. An online petition ensued for a revision in gender-differentiated premiums of the long-term disability insurance.

A debate on the topic in Parliament featured Senior Minister of State for Health Amy Khor who said, the decision to have women pay more was a difficult one but actuarially sound as women’s life expectancy is 85.2 years and men’s, 80.7 years.

Consumer

On 5 August 2018, an article from The Straits Times discussed the outrage “over pink tax” of female consumers in Singapore. Of all the categories used to exemplify price disparities, the consumer sector had the most glaring differences. The writer was successful in showing an example of gender price differentiation after discovering that while the Gillette Blue II Plus razors for men costs about \$1 each (\$6.40 for a pack of 6), the Gillette Daisy razors for Women costs about \$2 each (\$6.40 for a pack of 3).

Healthcare

Over at the healthcare industry, Sata CommHealth medical was shown to have varying prices for health check packages for males and females. Looking at Raffles Medical health packages, they offer a general health check that is fixed at a price of \$144.34 regardless of gender. They are also offering the same package with extra procedures for women. At a glance, the price difference might seem unfair, but there are actually more tests included for female patients, such as Mammogram procedures.

Premiums and payouts under CareShield Life

In 2020, those aged 30 to 40 will have to join CareShield Life, the new long-term care insurance that replaces ElderShield. Both the premiums and payouts will be higher than in the current scheme, with subsidies provided to ensure coverage. Existing cohorts born before 1980 can choose to join from 2021

Estimated annual premiums (before subsidies)*

Year	Men		Women		Monthly payouts
	Age 30	Age 40	Age 30	Age 40	
2020**	\$206	\$295	\$253	\$366	\$600
2024	\$223	\$320	\$274	\$396	\$649

NOTE: *Premiums and payouts will increase at a rate of 2% a year for the first five years of the scheme’s implementation

**Year of joining scheme

Source: Ministry of Health, The Straits Times



Gillette Blue II Plus razor
 • Ultragrip
 • Lubricating strip
\$1 per razor

Gillette for Women Daisy razor
 • Ultragrip
 • With baby oil and aloe
\$2 per razor

Xinmin Primary School uniform (shorts)
\$14

Xinmin Primary School uniform (culottes)
\$17

Elite health screening package at Sata CommHealth
\$535

Elite health screening package at Sata CommHealth
 Includes extra tests such as:
 • Mammogram
 • Pap smear
\$695.50

Source: The Straits Times

Pink Tax: Gender-Based Tariffs

Date: 6th September 2018

Tariffs

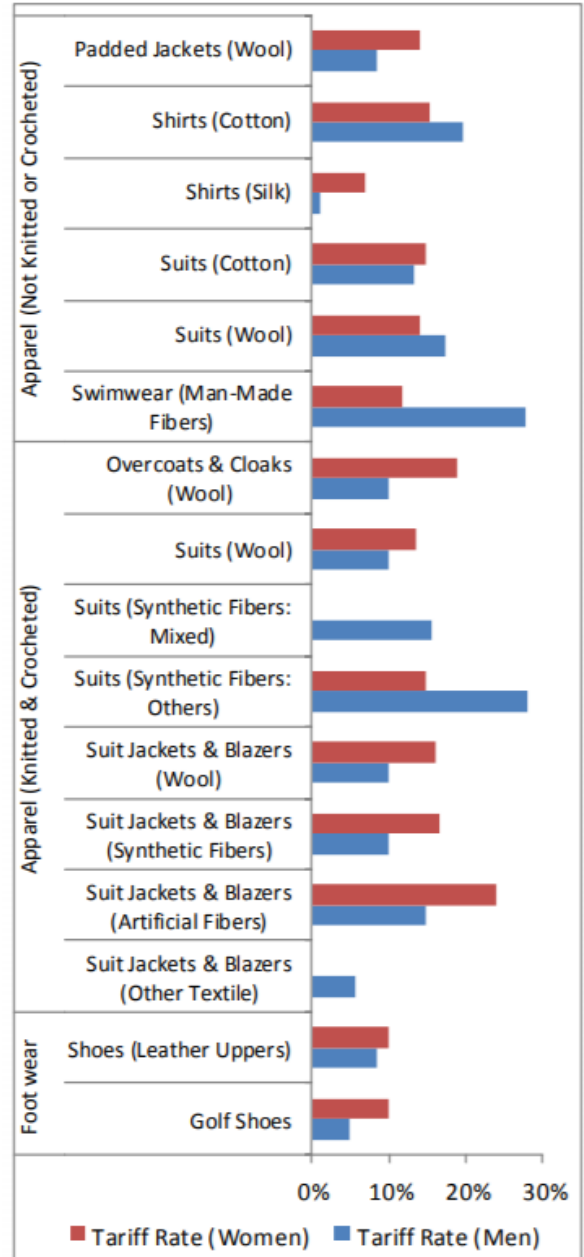
The issue of consumer price discrimination has brought about the consideration of varying tariffs on male and female products. In the US and Europe, “pink tax” could be the result of tariffs “on certain categories of manufactured goods dependent on the gender of the intended consumer”, says BoF.com. This meant that different tariff rates can be applied to men’s and women’s items.

United States

In 2014, 86% of US apparel imports were gender-classified by the US International Trade Commission.

Lori Taylor, Director of the Mosbacher Institute at Texas A&M have been researching the existence of pink tax for years. In her study, Taylor found that US tariffs for leather shoes stands at 10% for women and 8.5% for men. Silk shirts have a 6.9% tariff for women and 1.1% for men.

Through macro-scaled observations, no patterns have been identified in explaining how different rates in tariffs are allocated to gender-classified goods. However, Taylors findings shows that the average tariff rate for women’s apparel is systematically higher than the average tariff rate for men’s apparel. The calculated average of tax on imported clothing for men is 11.9% and 15.1% for women clothing. The study found that this is approximately more than 3 percentage points higher.



Source: US Harmonized Tariff Schedule

Pink Tax: Gender-Based Tariffs

Date: 6th September 2018

Summary


Retail demands of the male population have seen a rising growth rate in its menswear market, growing marginally faster than womenswear. Therefore, future demand pricing for female and male products might see a closing gap in the retail industry.

Services and products with prices adjusted according to marketing and manufacturing costs would likely be mirrored onto final retail prices, regardless of targeted gender.


Actual tariffs are complex in nature and are tied to government policies and political climates. Often, tariffs are in place to safeguard the interests of a nation's domestic suppliers instead of achieving "pink tax" and gender discrimination.

To Conclude

While the price disparity between gender-specific services and products may appear glaring, readers should take a closer look and consider that apart from the explanation of gender-based tariffs, other underlying reasons include pricing strategies tailored to consumer demand, differences in cost of production, branding costs, advertising costs, and lastly discriminatory pricing catering to different consumer psychology.

 \$ 1640



 \$ 1700



Source: Saint Laurent

DISCLAIMERS AND DISCLOSURES

This report has been prepared and distributed by SAC Advisors Private Limited ("**SAC Advisors**") which is a holder of a capital markets services licence and an exempt financial adviser in Singapore. SAC Advisors is a wholly-owned subsidiary of SAC Capital Private Limited ("**SAC Capital**") which is also a capital markets services licensee.

This report has been prepared for the purpose of general circulation. We have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual person or any specific group of persons and does not purport to be comprehensive or contain all necessary information which a prospective investor may require in arriving at an investment decision. Any prospective purchaser should make his own investigation of the securities and all information provided. Advice should be sought from a financial adviser regarding suitability, taking into account the specific investment objectives, financial situation or particular needs of the person in receipt of the recommendation, before a commitment to purchase is entered into.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities.

This report is confidential and the information in this report shall not be copied or reproduced in part or in whole, and save for the recipient of this report, shall not be disclosed to any other person without the prior written consent of SAC Advisors. The distribution of this report outside the jurisdiction of Singapore is also strictly prohibited.

Whereas SAC Advisors has not independently verified all the information set out in this report, all reasonable care and effort has been taken to ensure that the facts stated herein are accurate, this report may contain certain forward looking statements and forward looking financial information which are based on certain assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the subject companies to be materially different from those expressed herein. Predictions, projections or forecasts of the economy or market trends are not indicative of the future performance of the subject companies. The inclusion of such statements and information should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions of the subject company or that the forecast results will or are likely to be achieved.

Our opinion and facts set out in this report are based on the market, economic, industry and other applicable conditions prevailing as at the date of the preparation of this report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report, that may or may not have affected our opinion contained herein.

This report contains forward-looking statement which are based on assumptions or forecasts and are subject to uncertainties which may result in the actual result or performance to be materially different from the opinion or facts set out herein. Caution should be exercised in placing undue reliance on such statements. such assumptions or forecasts may change over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion in light of any development subsequent to the publication of this report.

No representation or warranty, expressed or implied, is made and no responsibility is accepted by the companies, SAC Capital, SAC Advisors or any of their affiliates, advisers or representatives as to the fairness, accuracy, completeness or adequacy of such information or facts, in this report or any other written or oral information made available to any interested party or its advisers and any liability therefore is hereby expressly disclaimed.

SAC Advisors, SAC Capital and their associates, directors, and/or employees may have positions in the securities or securities of the companies covered in the report and may also perform or seek to perform other corporate finance related services for the companies whose securities are covered in the report. SAC Advisors and its related companies may from time to time perform advisory services, or solicit such advisory services from the entities mentioned in this report ("**Other Services**"). This report is therefore classified as a non-independent report. However, the research professionals involved in the preparation of this report have not and will not participate in the solicitation of such business.

ANALYST CERTIFICATION/REGULATION AC

As noted above, research analyst(s) of SAC Advisors who produced this report hereby certify that

- (i) The views expressed in this report accurately reflect his/her personal views about the subject/subject corporation(s);
- (ii) The report was produced independently by him/her;
- (iii) He/she does not on behalf of SAC Advisors or SAC Capital or any other person carry out Other Services involving any of the subject/subject corporation(s) or securities referred to in this report; and
- (iv) He/she has not received and will not receive any compensation directly or indirectly related to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. He/she has not and will not receive any compensation directly or indirectly linked to the performance of the securities of the subject corporation(s) from the time of the publication of this report either.