

Aradhna Krishna

Pink Tax: Gender and Other Price Discrimination Factors

Diana Kelly, who received her MBA from a top-tier school in 2009, had recently been promoted to brand manager at a consumer goods firm selling foot care products. She was currently in charge of a new product launch of a nail brightening cream that helped create brighter, shinier nails. The product would be available in all leading stores in the USA (e.g., Target, Walmart, CVS, and Walgreens). As of early 2016, no comparable products existed in the market. Nonetheless, the product had to be launched soon to capitalize on the seasonality of the category, because more foot care products were sold in late spring and summer than the rest of the year put together.

Based on market research, Kelly was convinced that there was a true need for the product, and that the launch would generate a lot of consumer excitement as well as invigorate the foot care category, which was generally perceived as boring. The concept tests showed that the product would increase consumer traffic to the foot care aisle, and Kelly was sure that this would be a very strong reason for distributors to carry the product without high slotting fees.

Kelly was, however, stuck on the topic of pricing: How should her company price the product?

Pricing Variations Among Similar Products

While she was conducting her research, Kelly came across many differing instances of price variation. Browsing a variety of products in drugstores as well as online, she found that the price of even the same product could vary. In one case, the same pain medicine – with the same active ingredients, and in the same exact quantity, but with different packaging and symptom associations – had different pricing (see **Exhibit 1**). Excedrin Extra Strength had 250 mg each of acetaminophen and aspirin and 60 mg of caffeine, as did Excedrin Migraine. But, from the same retailer, 24 caplets of Excedrin Extra Strength were priced at \$6.26, whereas 24 caplets of Excedrin Migraine were priced at \$8.95.

Likewise, the same pregnancy test kit was sold at different prices with different packaging (see **Exhibit 2**). Both kits were made by Quidel Corporation. One kit, called RapidVue, was priced at \$6.99 and was sold in

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