

Pestle analysis: legal factors affecting business

[Business](#)



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If you want to analyze the situation in which a business finds itself, environmental analysis is a great place to start. This combines a number of different techniques — PESTLE analysis being one of them — to identify and evaluate the various external factors that affect a business.

Now, there's nothing inherently difficult about conducting PESTLE analysis (or using any other such frameworks), but it can sometimes be a tad troublesome when deciding what constitutes each of the 6 categories (for reference, these are: Political, Economic, Social, Technological, Legal, and Environmental).

That's why we're writing this series of articles about each one of the categories, including their definitions, importance, and plenty of examples. In case you haven't already, be sure to read up on Political Factors, Economic Factors, Social Factors, Technological Factors, and Environmental Factors before continuing on.

In this edition, we'll be covering the last of the six categories — Legal Factors!

What Are Legal Factors?

Legal factors are external factors which refer to how the law affects the way businesses operate and customers behave.

Product transportation, profit margins, and viability of certain markets are all examples of things which may be influenced by legal factors.

How Do Legal Factors Affect Business?

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Legal factors can decide whether or not there is a business behind selling a certain product (perhaps drugs, or sharp objects), and can also affect the mechanisms through which a company stocks their inventory or interacts with the customer.

Examples

General examples of Legal Factors affecting business include:

Consumer law

Discrimination law

Copyright law

Health and Safety law

Employment law

Fraud law

Pyramid scheme legality

Import/Export law

Let's look at how a couple of these might affect businesses in more depth:

Consumer law — consumer law (alternatively known as consumer protection) is designed to protect consumers from fraudulent companies or practices, and preserve their rights in the marketplace. “ How does this affect businesses though?”, you might ask. For example, consumer law results in large companies having to dedicate a fair amount of their resources into putting out detailed information about their products and policies. On the

other hand, consumer law in itself makes a business for some private watchdog companies.

Employment law — employment law, also known as labo(u)r law, dictates how companies' employees should be treated. Minimum wage laws can limit the various different employment possibilities a company can offer, child labour laws can affect the way tight-knit home businesses in third world countries operate, and dismissal laws can make firing employees (for whatever reason, perhaps unproductivity) that bit harder.

Legal Factors Affecting Tesco

Laws have been introduced to prevent companies from Tesco from changing product prices without informing customers

Recently, there has been a crackdown on misinformation in product discounting (e. g. perpetual ' discounting')

Read the full PESTLE analysis of Tesco here.

Legal Factors Affecting Anthropologie

Anthropologie's parent entity Urban Outfitters has already been penalized for attempting to make employees work for free, so repeating this might result in a run-in with the law (and for example, fines).

They have also allegedly stolen designs from merchants on Etsy. This means that they have to be very careful with where they take future designs from.

You can find the complete PESTLE analysis of Anthropologie here on our site.

Conclusion

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That's all there is to legal factors in PESTLE analysis! They are simply the factors that affect businesses as a consequence of, or in direct relation to, governmental laws. They play a big part in deciding how businesses operate and what profits they receive, as well as how customers behave. Examples include the legality of pyramid schemes, and laws governing importation and exportation. Finally, they can be seen affecting business of all scales, like Tesco and Anthropologie.

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