

Legal Opportunities and Threats

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Overview

- Are a result of **Government Intervention**
- Governments impose rules, regulations and laws
- Ensures that the public is protected from adverse business activity
- They also protect the the interests of businesses



Consumer protection legislation

Prevents businesses from providing **false or misleading descriptions** of their products and services

Need to meet **certain quality standards**

Businesses are **liable for damage** caused by products



Example: Amoy Food misled consumers by claiming that their soy sauce did not contain MSG, an artificial flavour enhancer. Hong Kong's government imposed legislation that prohibited food companies from issuing false labelling.

Employee Protection Legislation

Protects the **interests and safety** of workers

Regulations on Hiring

- Rules favoring disadvantaged groups
- conditions for using temporary or fixed-term contracts
- Training contracts

Regulations on Firing

- Redundancy procedures
- Mandated prenotification periods and severance payments
- Special requirements for collective dismissals
- Short-Time work schemes



Example: In November 2000, Coca-Cola was made to pay out \$192.5 million in lawsuit allegations that they treated black workers unfairly.

Types of Worker Rights

Anti discrimination laws: prevent companies from discriminating against individuals

Equal pay legislation: unlawful to pay differently for work of equal value

Health & Safety at Work Acts : necessary to offer a secure and hygienic working environment

Statutory benefits: maternity leave, sick pay, holiday pay, and retirement pension scheme

National minimum wage legislation: legal minimum pay rate to create incentives for lowest paid workers

Competition Legislation

Prohibits **anti competitive** practices

Protects customers from **firms with monopoly power**

Government takes action against businesses **that are acting against public interests** (Large firms engaging in price fixing).

Example: Copyright, trademark, and patent laws **give businesses legal protection** against competitors replicating their works or inventions.



Social and Environmental Protection Legislation

Laws that are made to prevent or reduce the consumption of *demerit goods* (Example: Tobacco, petrol, alcohol, gambling, and illegal drugs)

Without these laws, the consumption of these products would be higher and therefore, the **cost to society** would be greater.

Example: In 2013, the Turkish government put restrictions on the sale of alcohol in order to make it harder for customers buy it.



Threats

In november 2018, Juul Labs, a popular e-cigarette company has been forced to pull all American advertisements after a series of vape-related incidents involving teenagers.

Due to major public outcry, social and environmental legislation has been put in place in several American cities, outlawing the sale of e-cigarettes.

The growing health concern regarding e-cigarettes has created a significant threat to Juul's business.



Opportunities

Due to the legal accusations against Juul Labs, opportunities have risen for competing tobacco companies.

The controversy around Juul and recent events have opened opportunities for large tobacco companies to tap into a nicotine-addicted market segment.

Because of the price inelasticity of demand for nicotine products, demand for cigarettes will rise due to a lack of substitutes in the market, increasing profits for tobacco companies .