

## Legal Protection Against Franchise Business In Maintaining Product Quality (Case study of Fremilt *Pasar Kliwon* Surakarta branch)

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### Abstract

The government needs to develop a franchise business in order to expand job opportunities, for that the government creates efforts to protect franchisees and franchisors so that the government issues government regulation no. 42 of 2007 concerning franchise business (Franchise). However, the reality is that there are still many franchises that do not fulfill their obligations to franchisors, such as some franchises that do not carry out SOPs (Standard Operating Procedures) with initial provisions. The problems raised in this study are about how the legal protection for the parties concerned in the franchise agreement, namely the franchisor and the franchisee and the forms of rights and obligations between the franchisor and the Fremilt product franchise, *Pasar Kliwon* Surakarta branch. This type of research uses empirical research, namely individual research related to social life, in this study the researcher tries to uncover legal protection for franchisees and franchisors of Fremilt products, *Pasar Kliwon* Surakarta branch. This research is taken from many facts in society. Based on the research, it was found that there is legal protection for franchisees and franchisors so that the taste of the product will be maintained its authenticity and between the two parties can run the SOP in accordance with the provisions of the agreement at the beginning. In addition, the franchisee and the franchisor will feel protected and will get a guarantee of certainty if something goes wrong that harms both parties.

**Keywords:** Franchise, Franchistor, *Waralaba*, *Pasar Kliwon*.

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### Introduction

The development and economic growth of society in the era of globalization has undergone tremendous changes, this has an effect on the world economy, especially in Indonesia. The many types of businesses that are almost the same make the company must be careful in maintaining or adding to the variety of products that are being undertaken. In the business world, there is a practice of franchising (franchise) which is given the right by the company to carry out business activities in the field of food and beverage services.

Franchise agreements are generally subject to book III of the Civil Code and specifically to Government Regulation Number 42 of 2007 concerning the dimensions of legal protection for activities that cause losses to other parties. This is because it can be a strong legal basis in terms of enforcing legal protection for the parties. The other party can

sue the party who violates the contents of the agreement under applicable law. This agreement contains commitments, terms, and a set of terms between the franchisor or the franchisee made. The provisions relate to the rights and obligations of the franchisee and the franchisor as stated in the franchise agreement, such as the relationship between the franchisee and the franchisor, fees that the franchisee must pay to the franchisor, the time for extension of the agreement, location requirements, and territorial rights owned by the franchisee.

Franchise practice has been implemented in several regions in Indonesia, one of which is Surakarta City which is one of the big cities in Central Java, because it is one of the big cities, there are more than one line of business with the same product, often making consumers consider choices from several products that have quality products and affordable prices. Surakarta city has a fairly large fan of ready-to-eat tea. Tea products occupy the first choice of products sought for consumption outside the home. The tea beverage industry develops various types of tea such as pure tea, fruit flavored tea, milk tea, flower tea, and Thai tea.

Thai tea is one type of processed tea that developed in Thailand which has reached the Indonesian market. Thai Tea business has many branches in Surakarta City. Consumers will be satisfied if the taste provided by the outlet has a characteristic and remains stable in its manufacture, as has been stated in the Standard Operating Procedure (SOP) which already exists in the agreement between the franchise and the franchisor. Therefore, legal protection arises for the franchise because of concerns about the unilateral termination of the contract agreement (franchise agreement) between the franchisor and the franchisee. In addition, it turns out that there are still concerns for the franchisee that the franchisor will refuse to renew the agreement and then distribute its own products in the franchise area. From the background described above, the author is interested in conducting further studies regarding "Legal protection for franchise businesses in maintaining product quality in 2021 (Case Study of Fremilt in *Pasar Kliwon* branch Surakarta)".

## Materials and Methods

The object of this research is a franchise business with Fremilt products from *Pasar Kliwon* Surakarta branch. This research uses empirical research, namely individual research related to social life. This legal research is taken from many facts that exist in the community, government agencies, and legal entities

## Results and Discussion

1. Legal protection for Franchisors and Franchisees in the Franchise Agreement to maintain product quality (case study of Fremilt *Pasar Kliwon* Surakarta branch)

Franchise business is one way of accelerating profits for the perpetrators. The ups and downs of franchise development have not diminished the attractiveness of this form of business, franchising remains an attractive option for anyone who wants to be an entrepreneur. This franchise business has been practiced in various regions in Indonesia, one of which is the City of Surakarta, which in Surakarta City is currently popular is the franchise of fremilt beverage products.

Fremilt Beverage is one of the franchises engaged in the beverage sector by using the trademark name of the franchisor named Haryo Pakar Setyantoto accompanied by the rights obtained after the ratification of the Fremilt franchise agreement. Prior to the franchise agreement process at the Fremilt beverage outlet, it must meet administrative and legal requirements. The second party or the so-called franchisee must meet the requirements given by the franchisor or the first party, namely (1) Ready to become a successful entrepreneur, (2)

Have sufficient capital, (3) Willing to take the time to jump into supervising business development, (4) Understand business risks, (5) Mandatory to buy raw materials from the center, (6) Willing to comply with regulations and agreements in the contract letter.

In Indonesia at this time there is no legislation that specifically regulates franchise business contracts so that it is still based on a written contract in the form of a cooperation contract. This is done by the franchisor and franchisee based on the principle of freedom of contract as stated in article 1338 of the Civil Code concerning all agreements made legally valid as law for those who make them. Franchise contracts are only based on cooperation contracts, so both parties must be really careful and thorough about the things that have been agreed upon.

The government considers it necessary to develop a franchise business in order to expand job opportunities and business opportunities, for that the government creates business order and efforts to protect franchisees and franchisors so that the government issues government regulation no. 42 of 2007 concerning franchise business (Franchise). The legal protections established by the government are:

- a. Article 1 paragraph (1) Government Regulation No. 42 of 2007: Stating that a franchise is a special right owned by an individual or business entity to a business system with business characteristics in order to market goods and / or services that have been proven successful and can be utilized and / or used by other parties based on franchise agreement.
- b. Article 1 paragraph (2) and (3) Government Regulation No. 42 of 2007: Stating that the franchisor is an individual or business entity that grants the right to utilize and/or use its franchise to the franchisee. While the franchisee is an individual or business entity that is granted the right by the franchisor to utilize and/or use the franchise owned by the franchisor.

With the legal protection established by the government, it will provide protection to both parties between the franchise and the franchisor, besides that there is a legal relationship due to the validity of the Fremilt franchise agreement which gives birth to the rights and obligations of the parties that must be fulfilled by each party.

2. Forms of rights and obligations between the franchisor and the Fremilt product franchise of *Pasar Kliwon* Surakarta branch in running a business in accordance with the applicable Standard Operating Procedures (SOP).

Article 4 paragraph (1) of Laws no. 42 of 2007 determines that: The operation of the franchise is in accordance with a written agreement between the giver and the franchisee by looking at Indonesian law. The two parties to the franchise agreement are the franchisee which means the recipient of the brand, in this agreement (*Fremilt Pasar Kliwon* Surakarta) and the franchisor which means the giver of the brand, namely Haryo Pakar Setyantoto and also includes provisions relating to the rights and obligations of the franchisee with the franchisor.

The conditions for the validity of the agreement must be met by both parties in carrying out the sale and purchase of a franchise as stated in Article 1320 of the Civil Code, namely the first is agreement, capable, certain things, and lawful reasons. The franchise prospectus must be provided by the franchisor or the first party, guidance must be provided in the form of operational guidance training and the use of domestic products as long as the quality of the goods is still good. Obligations of the Second Party in accordance with Article 11 of Government Regulation Number 42 of 2007 which registers a franchise agreement can be carried out by other parties who are authorized to do so.

The rights of the First Party franchisor, namely being the legal owner of the Fremilt brand on intellectual property rights (*HAKI*) already registered, having the Copyright and Trademark in writing, entitled to receive payment for the purchase of raw materials for

products from the franchise, entitled to receive money worth Rp. 14,500,000.00 for the prepayment.

The rights that the franchisee has after the Fremilt franchise agreement is ratified, the AJ source said that the franchisees at Fremilt *Pasar Kliwon* Surakarta are:

“Fremilt *Pasar Kliwon* Surakarta has moved outlets because the rental period has expired, so they must report the move to the franchisor or central fremilt first to measure the distance between fremilts that are close to the new area and other fremilt outlets so that the distance from one fremilt outlet is to another not too close apart from that the fremilt of *Pasar Kliwon* Surakarta must take raw materials from the first party fremilt or the central fremilt.” In addition to having the right to obtain the use of the Fremilt Name and Trademark, the Second Party may change the price of the basic product as long as it is not above the market line.

The franchisor's Second Party obligations to the First Party, namely, the initial payment must be paid in the amount of Rp. 14,500,000.00 to the First Party, the taste of the product that already exists in the SOP rules must be followed by the second party and may not change it, the obligations in the franchise agreement deed must be fulfilled. This SOP from Fremilt *Kliwon* Market branch, Surakarta, comes from Fremilt CV. ANTAT, Ceplok street no. 2 Purwosari Laweyan, Surakarta, Central Java.

Resource person AJ said that "The fremilt SOP of *Pasar Kliwon* Surakarta has been carried out well because if it is not carried out for the taste of fremilt it will be different, the franchise party for the fremilt product of *Pasar Kliwon* Surakarta always buys raw materials from the central fremilt or the first party, where every order will be sent 2 day after ordering, and every tea making there is a creamer where one pack of creamer is used and there is a 150 ml amount of water besides the amount of carnation milk already meets the dosage in the SOP.”

So, if one party does not fulfill its obligations and requires the other party, who feels aggrieved, to claim compensation to the District Court based on default, then based on article 1239 of the Civil Code.

## Conclusion

Legal protection for Franchisors and Franchisees in the Franchise Agreement to maintain the quality of Fremilt products at the *Pasar Kliwon* Surakarta branch is government regulation no. 42 of 2007 concerning the franchise business (Franchise) in addition to the franchise agreement process at Fremilt beverage outlets must meet administrative and legal requirements. The second party or the so-called franchisee must meet the requirements given by the franchisor or the first party.

The existence of an agreement between the franchisor and the franchise creates rights and obligations between the two parties. In carrying out this franchise sale and purchase, both parties must meet the legal requirements of the agreement as stated in Article 1320 of the Civil Code, namely the first is agreement, the second is competent, the third is certain things, and the last is a lawful cause so that if one of the parties does not fulfill its obligations and requires the other party, who feels aggrieved, to claim compensation to the District Court based on default, then based on article 1239 of the Civil Code.

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