

# The Influence of Modern Market Development with the Franchise System Regarding the Development of Traditional Markets

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**The Influence of Modern Market Development with the Franchise System Regarding the Development of Traditional Markets****Sri Retno Widyorini<sup>1</sup>, Bambang Joyo Supeno<sup>2</sup>, Agus Wibowo<sup>3</sup>**<sup>1,2,3</sup> University of 17 Agustus 1945 Semarang & St Pawiyatan Luhur, Bendan Dhuwur, Semarang

**ABSTRACT:** Increased development in the economic sector has a positive impact on developments in the trade sector, one of which is the modern market with a franchise system, which has now spread to rural areas. The rapid flow of globalization has triggered a shift in the lifestyle of most people, especially the millennial generation, who no longer choose traditional markets. as a place to shop, they prefer shopping in modern markets. such as Indomart, Alfamart etc. which provide more attractive facilities and service methods than traditional markets. The management model used by mini market businesses is franchising or Franchise, things can be seen starting from business premises that have the same color and design, to the arrangement of goods and even the uniforms of the employees who serve buyers. The development of modern market businesses using the franchise model has a very significant impact on the lack of development of traditional markets if there is no regulation from the government as a policy maker, especially regarding permits for establishment. Limiting the number with a clear radius will be able to protect the sustainability of traditional markets, as well as the need to foster the development of traditional markets so that modern markets such as Indomart, Alfamart and others and traditional markets can run and develop in a balanced manner.

**KEYWORDS:** Influence; Modern Market; Traditional Markets**I. INTRODUCTION**

Increasing development in the economic sector has an impact on the trade sector. One of the real manifestations that is happening in society, especially in urban areas, is the proliferation of modern market businesses such as Indomart, Alfamart, etc.. In fact, currently these businesses are no longer centralized in urban areas but have spread outside urban areas. Conditions like this are also triggered by shifts in people's lifestyles as a result of the rapid flow of globalization. People, especially the younger generation, are no longer happy to shop for their needs in traditional stalls but are interested in shopping for their needs in modern markets. The fundamental difference between modern markets and traditional markets lies in the services provided, shopping time, prices, cleanliness and also other facilities provided. Apart from all that, shopping at the modern market provides a feeling of comfort because it is equipped with air conditioning facilities, so that the shopping room is not hot. The arrangement of goods in modern markets is also a factor that makes it easier for buyers to find the goods they need because they have been placed according to their respective types and uses. In its development, modern markets like this also provide facilities that people need, such as electricity payment points, PAM, ATM, etc., so that in one go, several needs can be obtained in the same place.

The development of modern market businesses is not only in terms of the increasing number of outlets, but also in terms of managerial management. If this is compared with this, it will be very different, because in traditional markets it tends to be monotonous both in terms of the goods being marketed and the pricing of the same goods. Sometimes it is not the same from one stall to another, apart from the service methods which are still conventional and of course the place is less comfortable both in terms of cleanliness, arrangement according to the type of goods and safety factors in a traditional market environment which is not well guaranteed.

If we look at modern market businesses such as Indomart, etc., they use a franchise system. We can see this from this. We can see this starting from the model of the place of business, the paint of the outlet, the uniforms worn by the waiters, the style of arrangement and even the types of goods sold between one outlet and another. There are also similarities.

The increasing number of modern markets in society will have a very significant influence on the development of traditional markets. Meanwhile, traditional markets are places where traders meet so that they have an influence on the economic life of the community. Because traditional markets are not only a meeting place for middle to upper class traders but also a business place for lower middle class people. In traditional markets buyers and sellers meet to carry out small scale transactions for daily needs as well as large scale transactions. Traditional markets are not only places for sales and purchases but also provide benefits for

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service providers such as pelvic support, carrying, parking, etc., so that in traditional markets there are actually multiple interests that can be served.

Based on what is explained in the description above, there should be government intervention as a stakeholder to consider and review the permits for the establishment of this modern market. Of course, this needs to be considered so that there is a balance as a form of protection for people who do business in traditional markets. The formulation of the problem in writing this article is: 1. Why do modern market businesses with franchise models have an impact on businesses with conventional models in traditional markets? 2. What is the government's role in the progress of businesses using conventional models in traditional markets?

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### II. RESEARCH METHOD

Approach method in which to answer the proposed problem formulation uses primary data as the main data, as well as using secondary data which is used as supporting data.

Primary data was obtained from research objects by conducting interviews as well as making observations, namely by observing the development of modern markets using the franchise method and then also observing business developments in traditional markets, to then draw conclusions as to whether there is an influence which then causes a positive correlation and negative about the existence of modern markets with this franchise method on business development in traditional markets.

Interviews to obtain primary data that will be used as the main data to answer the formulation of the proposed problem were conducted with business actors, both modern market model business actors using the franchise method and business actors in traditional markets as informants, and also conducted interviews with resource persons, namely competent officials, on economic activities related to businesses using modern market models and businesses in traditional markets.

### III. DISCUSSION

#### A. Why do modern market businesses with franchise models have an impact on businesses with conventional models in traditional market?

Franchise Business (Franchise) developed in practice, especially in countries that adhere to the common law system. Business contracts franchise which contains various clauses referring to the principles of contract law, such as the principle of freedom of contract (party autonomy), freedom of contract, contract freedom which results in an open agreement legal system. Freedom of contract means freedom to determine the content of the agreement and with whom to enter into an agreement. [1]

Article 1 paragraph (1) PP Number 42 of 2007 concerning Franchising explains that:

"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 to be successful and can be utilized and or used by other parties based on the agreement franchise".

Meanwhile, the provisions of Article 1 paragraph (2) of the PP say that the franchisee is an individual or business entity who gives the right to utilize and/or use the franchise he owns to the franchise recipient, whereas in paragraph 3 it is stated that the franchise recipient is an individual or business entity, which gives the Franchisee the right to utilize and/or use the Franchise they own. Franchises can be held throughout Indonesia.

Article 4 Paragraph (1). PP Number 42 regulates that:

"The granting of a franchise from the owner to the recipient must be carried out in the form of a written agreement taking into account legal provisions in Indonesia."

Article 4 (2) PP Number 42 regulates:

"If the agreement is written in a foreign language, it must be translated into Indonesian."

Based on the provisions in Government Regulation Number 42 concerning Franchising, the meaning can be drawn that, Franchising or Franchise are special rights owned by a person or business entity to a business system with certain characteristics which can be given to other people or other business entities by agreement. The agreement must be made in writing taking into account existing legal provisions in Indonesia, and if the agreement is written in a foreign language, it must be translated into Indonesian.

If we look at the provisions of the article governing franchise agreements, it can be concluded that in fact this franchise agreement cannot be outside the provisions governing trade in Indonesia. In other words, this provision actually provides protection for the traditional economy, because in reality the economic activity that occurs in traditional markets can reach all levels of society, from the scale of trade with large turnover to small turnover carried out by traders and buyers from both middle and upper strata of society, and lower middle class. In the Indonesian legal literature, this franchise is not known in the Indonesian legal literature, because the institution Franchise not found in the culture or business traditions of Indonesian society.

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If we talk about why modern market businesses with franchise models have an impact on businesses with conventional models in traditional markets. This is greatly influenced by shifts in lifestyle as a result of the rapid flow of globalization, which inevitably also influences shifts in society's culture, including culture in responding to the introduction of modern lifestyles. Advances in technology and transportation due to advances in science have caused the distance between the hemispheres to become closer as if there were no longer any barriers, therefore something that was previously unknown in a place, will now be easy to obtain, as well as the introduction of several foreign products with the system Franchise into the cultural fabric of Indonesian society.

From interviews the author conducted with consumers who shop in modern markets and traditional markets, they gave different answers. For consumers who shop for their needs in modern markets, such as Indomart, for example, they give the answer that shopping in modern markets is more comfortable, it is easier to get the goods they need, even if they don't bring cash, payment can be made by swiping from their ATM card or credit card. This kind of convenience is of course attractive to certain groups of people, especially millennial consumers who prefer everything to be more practical and also time efficient for those who have limited shopping time due to busy other activities. In the modern market with the franchise model, everything is now available, from primary needs to purchasing toll credit, etc. The place of business is also clean and comfortable, making consumers comfortable. The opposite is when the author conducts interviews with consumers in traditional markets. Even though shopping at traditional markets actually has a unique and different art,

There we can meet traders and also consumers from different segments of society. Actually, in traditional markets we can also get all our primary needs, we even buy kitchen equipment etc., of course not modern kitchen equipment. In fact, shopping in traditional markets like this is the original culture of the Indonesian people. There we met lots of people, there we sold various foodstuffs that we needed. In one row there can be several traders selling the same goods, but they do not knock each other out. Because they believe that fortune has been arranged by the Almighty. So of course there is no comparison between modern markets with franchise business models and traditional markets with conventional business models. The two cannot be compared because they are at different measuring values, but both have their own different advantages, of course with different benchmarks, because both have their own uniqueness. However, it cannot be denied that the presence of modern markets with franchise business models has also influenced the development of traditional markets with conventional business models.

According to Dominique Voillemont quoted by Felix O. Soebagjo in his book Ok. Saidin said that, Franchise is defined as a way of carrying out cooperation in the business sector between two or more companies, one party acts as Franchisor and the other party as franchisee.[2] Meanwhile Rooseno Harjowidigdo provided limitations regarding Franchise namely a business system that is unique or has business identification characteristics in the field of trade or services, in the form of the type of product and form being operated, company identity (logo, design, brand, even including company employee clothing), marketing plans and operational assistance.[3]

The formula given by Rooseno Harjowidigdo focuses more on placement Franchise or franchise within the framework of the material law system, emphasizing the material aspects. The object referred to here is a typical business that has identifying characteristics of a business in the field of trade. The objects referred to here are immaterial objects, namely in the form of intellectual property rights. Its manifestation can be seen in logos, designs, brands (but not brand rights), clothing and appearance of employees and so on.

OK Saidin in his book titled Legal Aspects of Intellectual Property Rights says there are 4 (four) elements of material rights found in the legal context franchise, that is :

1. The right to undertake business in a particular business, usually the right is protected under trade secrets;
2. There is a right in the form of using a business identification mark as well as an identifying characteristic, in the form of a trademark or service mark;
3. These rights can be transferred to other parties with a license, namely the use of plans and management assistance in addition to other undisclosed immaterial material rights objects, the form of which can be food, drink or other products;
4. There is a right for the franchisor to obtain performance in the license agreement, for example royalty.[4]

### **B. What is the government's role in the progress of businesses using conventional models in traditional markets?**

Before discussing the role of the government in the progress of businesses using conventional models in traditional markets, we need to know first about the legal aspects of franchising.

It has been explained above 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 or services that have been proven successful and can be utilized by other parties based on a franchise. From these provisions it can be concluded that legally a franchise can be granted from the franchisor to the franchisee to utilize the rights to the business system with a franchise agreement. Franchising as a special right to a business system must meet the criteria as regulated in Article 3 PP Number 42 of 2007, namely:

1. Has business characteristics;
2. It has been proven to provide benefits;
3. Have standards for the services of the goods and/or services offered which are made in writing;

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4. Easy to teach and publish;
5. There is ongoing support, and
6. Registered Intellectual Property Rights.

The franchise agreement is made in writing taking into account Indonesian law. The franchise agreement contains a clause (Article 5 PP Number 42 of 2007), as follows:

1. Names and addresses of the parties;
2. Types of Intellectual Property Rights;
3. Business activities;
4. Rights and obligations of the parties; Assistance, facilities, operational guidance, training and marketing provided by the franchisor to the franchisee;
5. Business area;
6. Duration of the agreement;
7. Procedure for payment of rewards;
8. Ownership, changes in ownership and heirs' rights;
9. Dispute resolution; and
10. Procedures for extension, termination and termination of the agreement.

From the provisions of Article 5 of the PP it is clearly applied and written that everything related to the granting of special rights to the business system must be stated in writing, and if the agreement is written in a foreign language it must be translated into Indonesian. Article 6 of the Regulation also stipulates that the franchise agreement may contain a clause regarding granting the franchisee the right to appoint another franchisee, but it is required that the franchisee who is given the right to appoint another franchisee must own and operate 1 (one) premises himself. franchise business. This statement provides the understanding that a franchisee can give the rights he has to the business system to another party with the condition that he must own and operate at least 1 (one) franchise business premises himself.

The franchisor has the obligation to provide a franchise offer prospectus to prospective franchisees when making an offer, where the prospectus must contain at least:

1. Franchisor identity data;
11. Legality of the franchisor's business;
3. History of business activities;
4. Organizational structure of the franchisor;
5. Financial reports for the last 2 (two) years;
6. Number of business premises;
7. List of franchisees; as well as
8. Rights and obligations of franchise givers and recipients.

In addition to having to provide an offer prospectus to potential recipients when making an offer, franchisors are also required to provide guidance in the form of training, management operational guidance, marketing, research and development to franchisees on an ongoing basis.

Before a franchise offer prospectus is offered to prospective recipients, prospective franchisors are required to register the offer prospectus with the minister by attaching a document containing a photocopy of the franchise offer prospectus and a photocopy of business legality. Likewise, after an agreement has been reached between the franchisor and the franchisee, the franchisor is also obliged to register the agreement. Registration of the franchise agreement must be accompanied by a photocopy of business legality, a photocopy of the franchise agreement, a photocopy of the franchise offer prospectus and a photocopy of the company owner or management card. This registration can be carried out by the franchisor himself or can be represented by another party authorized by the franchisor. The minister referred to here is the minister who carries out government duties in the field of trade as intended in Article 1 Paragraph 4 of Government Regulation Number 42 of 2007 concerning Franchising. The Minister will issue a Franchise Registration Certificate after all the requirements as regulated in Article 12 Paragraph (1) letters a. and b, namely a photocopy of the franchise offer prospectus and business legality. This Franchise Registration Certificate (STPW) is valid for a period of 5 (five) years and if the franchise agreement has not expired the STPW can be extended for another period of 5 (five) years. The application process and issuance of the STPW is free of charge. Franchise development is carried out by the Government and Regional Governments, while supervision of franchise implementation is carried out by the minister by coordinating with related agencies. For franchise givers and recipients who violate the provisions as stated in Article 8, Article 10 and Article 11 PP Number 42 of 2007, namely the provisions regarding the obligation of the franchisor to provide guidance related to operational management, etc., registration of franchise registration and registration of a franchise agreement with All provisions may be subject to administrative sanctions. The sanctions in question can be in the form of written warnings, fines and/or revocation of the STPW (Franchise Registration Certificate). This warning can be given a maximum of 3 (three) times with

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in a period of 2 (two) weeks starting from the previous warning letter being issued. This administrative sanction can be imposed by the Minister, Governor, Regent/Mayor in accordance with their respective authorities. As for sanctions in the form of Fines are imposed on franchisors who do not carry out a prospectus or can also be imposed on franchisees who do not register a franchise agreement after the third written warning letter has been issued. The amount of the fine imposed is Rp. 100,000,000 (one hundred million rupiah). Meanwhile, sanctions for revocation of STPW are imposed on franchisors who do not provide guidance to franchisees after the issuance of the third (three) written warning letters.

In the context of franchise law, there are several types of rights that take the form of immaterial objects. Franchise owner (franchisor) has full authority over the following rights:

1. The right to engage in certain businesses;
2. The right to use corporate identity;
3. The right to control or monopolize operational expertise, marketing management, etc.;
4. The right to locate the business area;
5. The right to determine the number of companies.

The rights mentioned above have the characteristics of absolute rights (absolutely), cannot be contested and have *droit de suite* characteristics. In these rights there are also management secrets, trade secrets, management secrets in the management of products and/services etc. So in a legal context franchise There are not only copyrights, patent rights, trademark rights, industrial design rights, but there are also other immaterial rights such as rights to expertise or skills.

In practice, there are 2 (two) forms franchise, that is :

1. Franchise distribution
2. Franchise format.

Distribution franchise is a franchise in its activities is only concerned with the distribution of goods or services and does not produce those goods or services, where as franchise format is franchise and who in their activities produce and distribute goods or services with the condition that they must follow the format determined by the owner (franchisor). So in a distribution franchise, the franchise only distributes goods produced by other companies, such as the Bata shoe brand, the company only acts as a distributor while the production is carried out by another company. However on franchise different format, because the company in question produces and markets the product, for example Mic Donald, Pizza Hut, Kentucky Fried Chicken, etc., but the formula for the product is obtained using a system franchise, So,

### CONCLUSIONS

The development of franchise system businesses has a significant influence on business development in traditional markets using conventional methods. This is influenced by several factors. These factors are external factors that are influenced by the rapid flow of globalization and technological progress. Apart from this, there are also internal factors from consumers themselves, one of which is influenced by cultural shifts which ultimately also lead to changes in the lifestyle of the majority of consumer society. The development of modern market businesses with a franchise system requires government attention so that it does not affect business development in traditional markets with a conventional system model. The government must take an active role in providing guidance so that traditional markets which are a cultural characteristic of Indonesian society can also develop - along with developments over time. One of the roles that the government must play is related to reviewing the ease of licensing modern market businesses with a franchise system, especially in relation to location. The government must also be consistent in implementing regulations governing the Prohibition of Monopolistic Practices and Unfair Business Competition, without selective logging, so that the objectives of the law are achieved.

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