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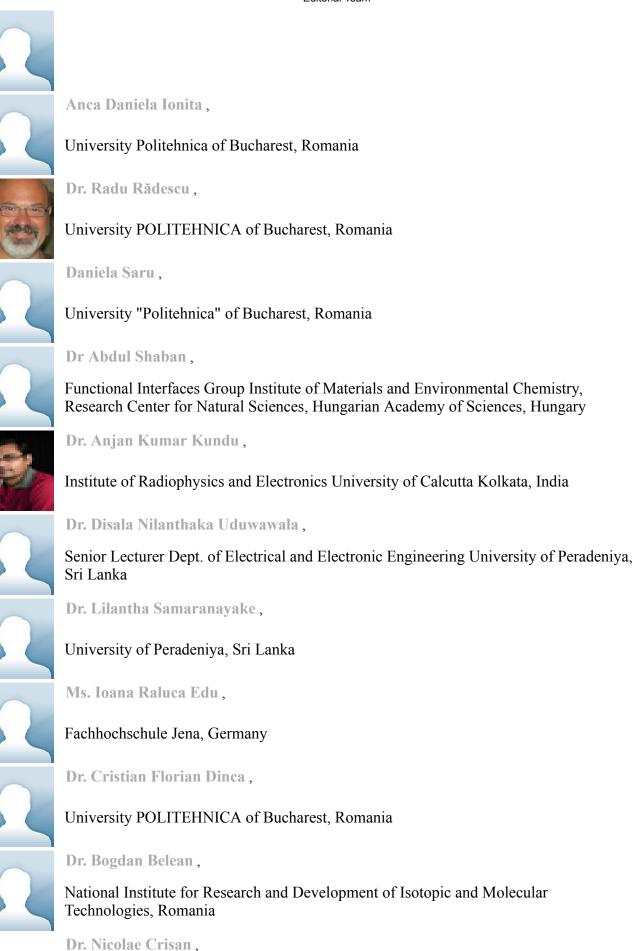
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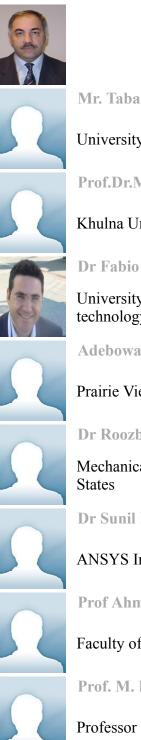
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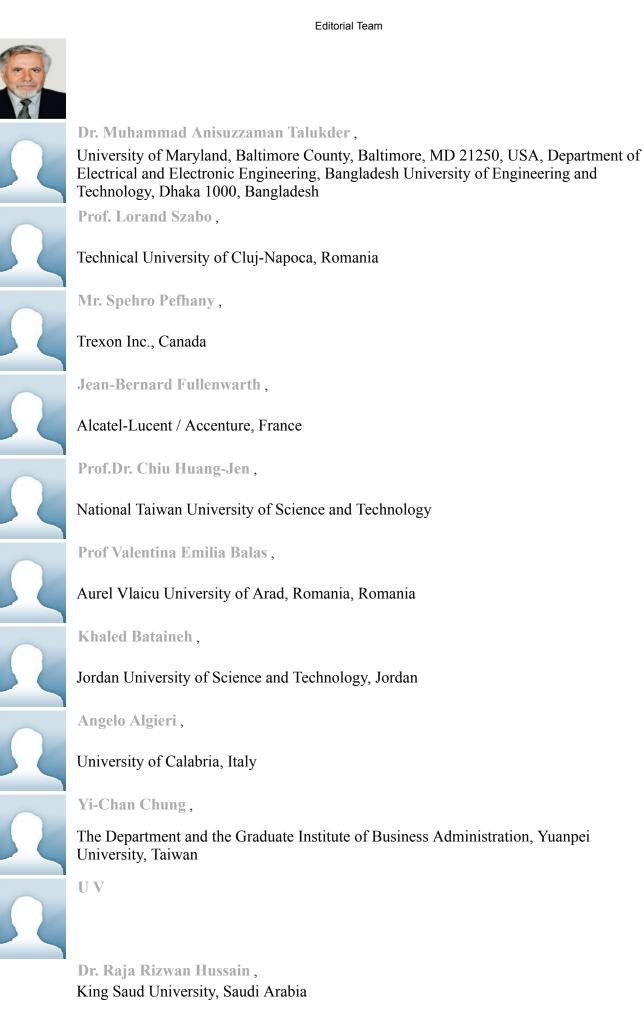
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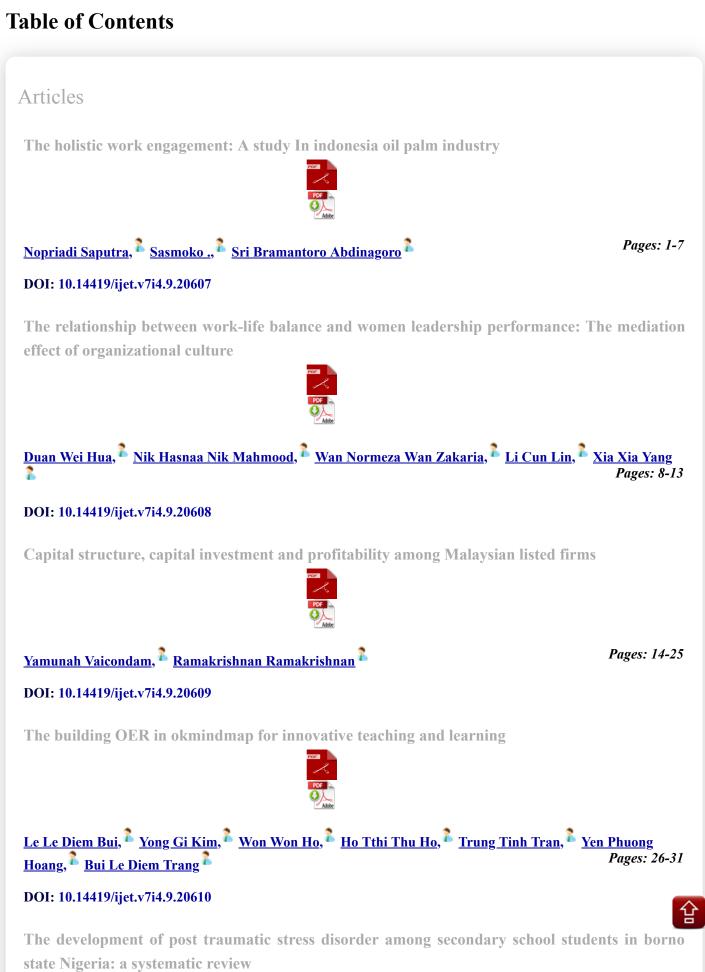
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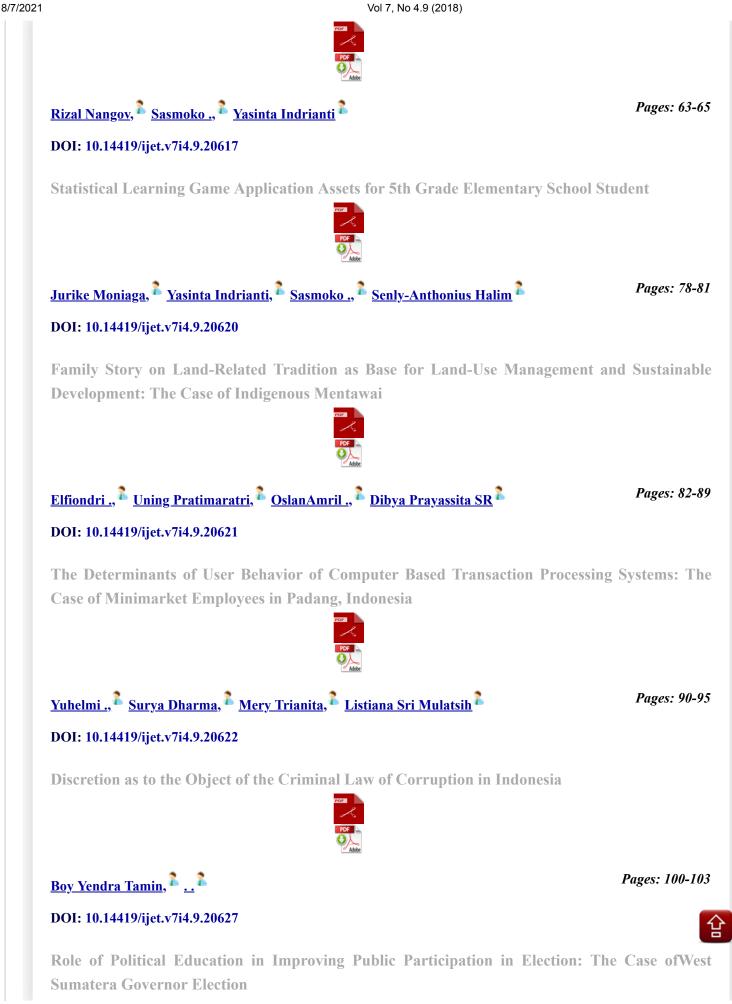
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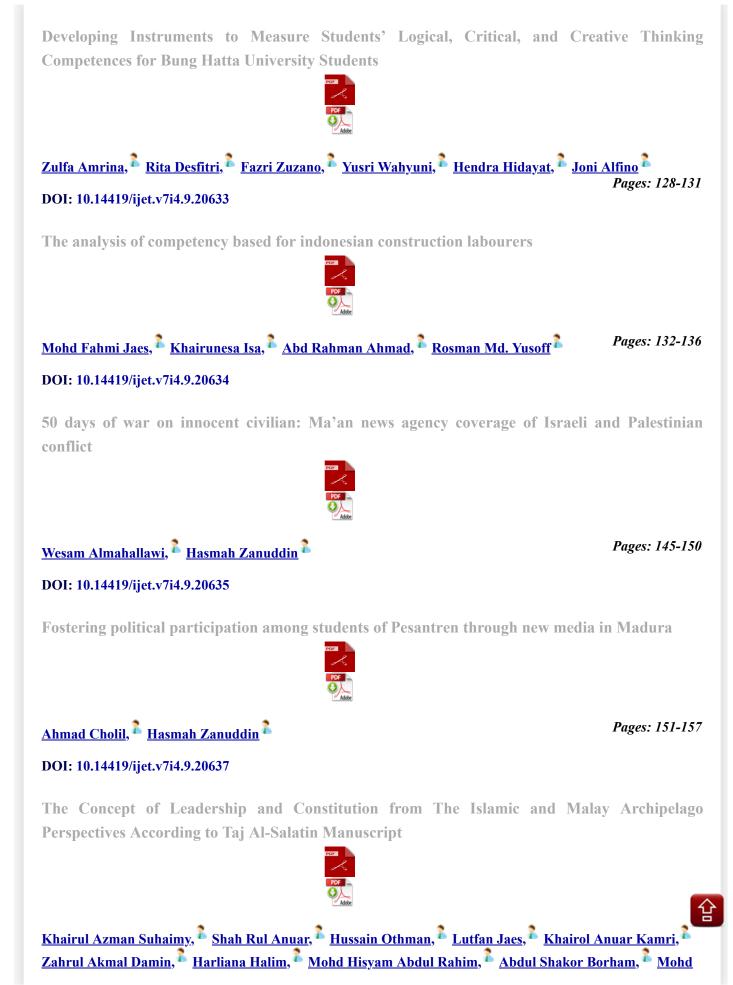
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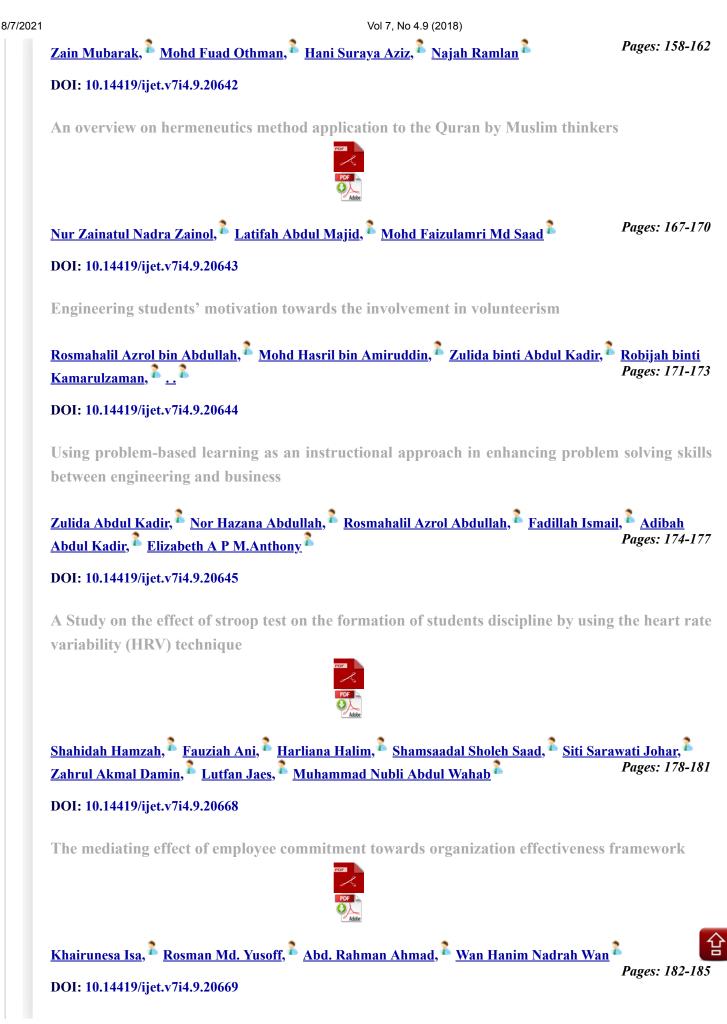
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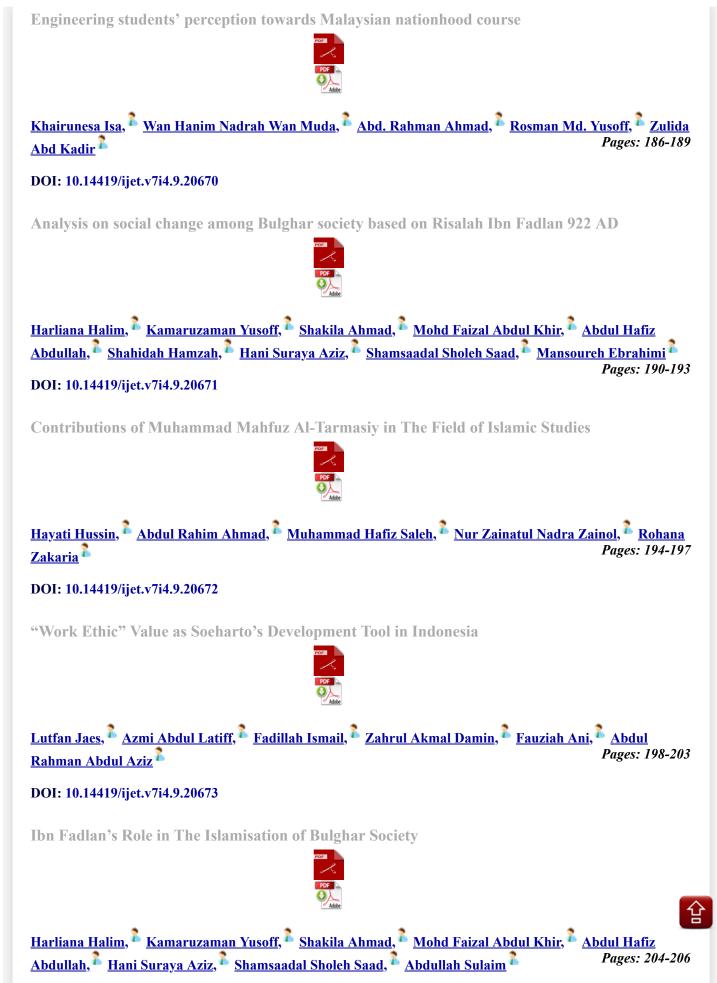












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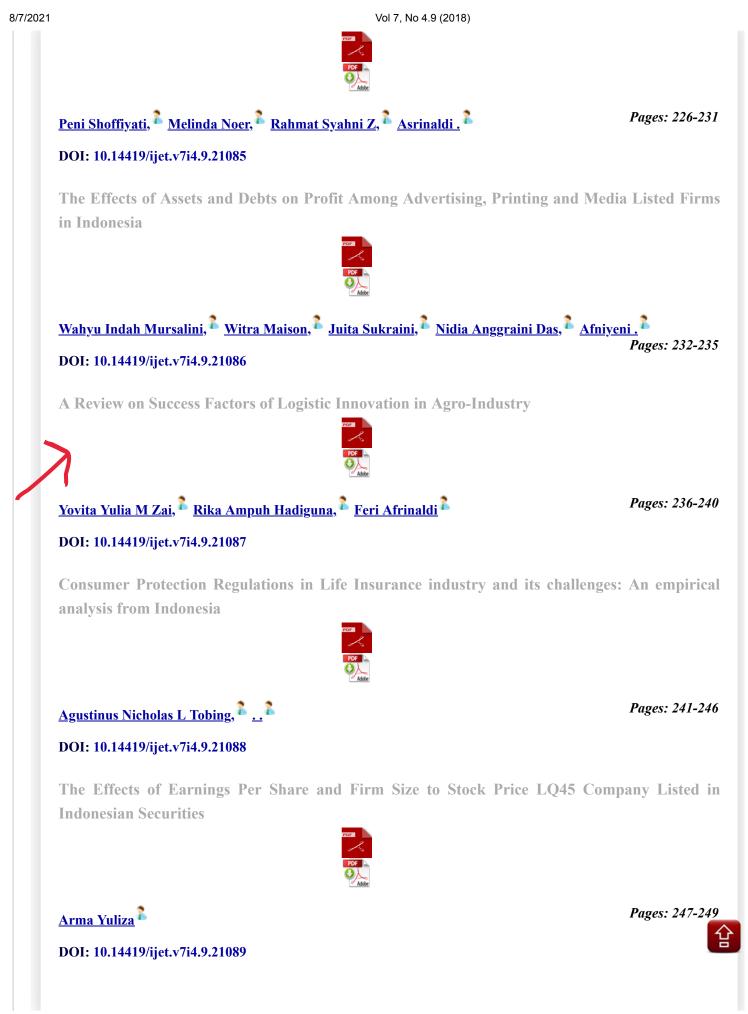
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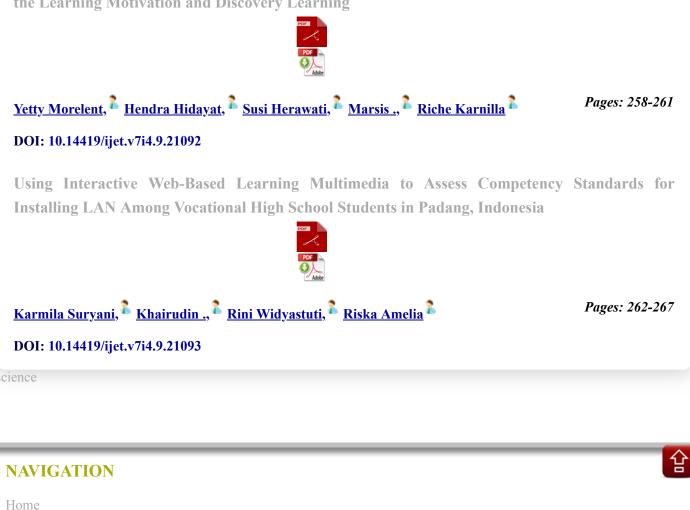


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Research paper

A Review on Success Factors of Logistic Innovation in Agro-Industry

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Abstract

Innovation is much required to efficiently manage the logistics system. At the same time, to come up with a successful innovation is also a challenge for the agro-industry. There are many literatures which defined the success factors of logistics innovation. This study investigates the success factors of logistics innovation for agro-industry and determines factors relevant to the business process of agro-industry based on literature published between 2015 and 2018. Through a Systematic Literature Review with fifteen were determined as success factors of logistics innovation in agro-industry, i.e. (1) technology utilization, (2) suistainability, (3) distribution and transportation management, (4) infrastructure, (5) strategic planning, (6) technical support and service architecture, (7) integrated information technology, system, and management, (8) regulation/ policy, (9) logistics cost, (10) collaboration, (11) logistic competence, (12) alliance strategy, (13) continuous improvement, (14) efficiency in business processes, and (15) hunting on positive practices. The Fifteen factors have the same degree of importance and have the same contribution to the successful achievement of logistics innovation.

Keywords: Innovation, :Logistics System, :Agro-Industry.

1. Introduction

In the industrial competition, logistics play a major role in sustaining competitive advantage. The availability of the right amount of material becomes important in logistics. Overstock material is a waste. Inventory management of both material and storage movement activities can improve the cost efficiency of logistics. Cost efficiency can bring the company into cost leadership. The value of a product can be increased through logistics by ensuring the product will reach the market where it is needed, and available in the market at the right time and amount. Indonesia logistic cost is 24% higher than other countries such as: USA, UK, Japan, France, Canada, Italy (1).

Firms that survive, grow, and compete are those which understand the role of logistics and create logistics innovation. Logistic innovation is a "novelty" in the management of processes, goods, and information ranging from procurement to the hands of consumers to achieve effectiveness and efficiency. Logistics becomes the determinant factor of the nation's competitiveness as has been compiled in the blueprint of Indonesia's National Logistics System. 8 e national logistics system was created through the issuance of presidential regulation No. 26 of 2012 on the blueprint for the development of a national logistics system. This blueprint carries the logical vision of 2025: "Locally Integrated, Globally 16nnected for National Competitiveness and Social Welfare". The development of a national logistics system is intended to connect all areas ranging from among villages, between ports, and between countries. The challenge for Indonesia now lies in competitiveness using science, technology and innovation. Indonesia ranks 36 out of 137 in terms of competitiveness (2). Ranked 87 out of 127 in terms of innovation competitiveness (3). And 80 out of 137 in

terms of technological readiness (2). By looking at the vision and position of Indonesia's competitiveness, it is necessary to improve competitiveness, science and technology in the logistics sector.

Industry players aware of the role of logistics. Industry players who aware of the importance of logistics will optimize the strategic, tactical or operational decisions to improve the logistics system. Understanding the role of logistics is not enough to answer today's business challenges. Future industries that include: (a) Agro-based industries; (b) the transport-equipment industry; (c) Information technology and telecommunication equipment (telematics) industries; are the industries that prioritized its development in the future.

Indonesia as a potential country in the agro-industry also needs to make various logistic innovation in order to compete with other countries. Logistic innovation issues will be an important key in the logistics of agro-industry. This is because agro-industry has different characteristics with other industries. The agroindustry sector is a future industry considering its important and strategic role for the national industrial structure as well as the national economy. The important and strategic role is created because the industrial sector is supported by the availability of raw materials in the form of abundant natural resources in the country that comes from agriculture, fishery/ marine, livestock, plantation and forestry sectors. So, it is necessary to formulate/ determine the success factors in logistic innovation for agro-industry. Addressing this requirement, this study conducts a Systematic Literature Review (SLR).



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2. Literature Review

2.1 Systematic Literature Review

One of the most efficient methods of conducting a review of previous studies is the Systematic Literature Review (SLR) method (4). The SLR method works by evaluating and summarizing the literature systematically and conical. There are three stages in the use of this method, i.e.: planning, review, and delivery of results (5).

In the planning stage, it is necessary to identify the needs in the review by including the main criteria of the paper to be reviewed. At the review stage, enter the keywords of the research topic studied and then sort in accordance with the relevance of the study. In the last stage, the findings are explained through the evaluation and delivery of the summary results.

2.2 Logistic Innovation

Innovation is a social and economic success as a result of the introduction. Innovation is a discovery of new ways or new combinations that can create major changes. The major changes increased the use value or value of benefits (perceived by consumers/ or users) and monetary value or price (6). (7) state that innovation is the process of creating something new. This definition of innovation explains that innovation is a "novelty" that provides value to consumers and added value to producers (firms) where economic and social success is generated.

Logistics is one source of significant competitive advantage for the company (8). Logistics as an efficient planning, implementation and control process that include 9 he flow of costs, raw material storage, inventory, and other related information from the origin to the point of destination with the purpose of customer needs can be achieved (9). Logistics serves as an option of cost leadership storagy and service leader strategy (1),.

To transport goods from the origin to the point of destination will require some activities known as 'key activities in logistics' i.e.: (1) customer service, (2) demand forecasting/ planning, (3) inventory management, (4) logistics communications, (5) material handling, (6) traffic and transportation, and (7) warehousing and storage. The logistical context is identical to the organization, movement, and storage of material and humans. The target of logis 10 activities is the availability of a system capable of bringing the right products, in the right location, and at the right time so that 7e service level of consumers expect can be achieved (5).

the Blueprint of National Logistics System Development (5), logistics is defined as part of a supply chain that handles goods, information and money through procurement, storage (warehousing), transportation), distribution (distribution), and delivery service (delivery solution). Systems used to improve, move, and effectiveness of the movement of goods, information, and money from the point of origin to the point of destination according to the type, quality, quantity, time and place desired by the onsumer. Logistic innovation can be interpreted as a "novelty" process of planning, implementation and control of goods, information, money, and decisions in the business/ company that leads to the increased value of use to consumers with care about economic, social and environmental threats and increased efficiency and effectiveness for the Company.

2.3 Agro-industry

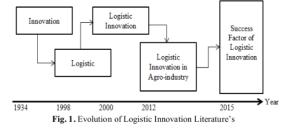
Explicit 5 the meaning of agro-industry was first disclosed by (10) that is a company that processes plant-based (plant-derived) or animal (produced by animals) materials. The processes used include alteration and preservation through physical or chemical, storage, packaging and distribution. Agro-industry is an interconnected activity i.e.: production, processing, transportation, storage, funding, marketing and distribution of agricultural products. From the view of social economic experts, agro-industry (processing of agricultural products) is part of five subsystems agribusiness agreed, namely subsystems of supply of production facilities and equipment, farming, processing, marketing, facilities and coaching. Agro-industry thus includes Agricultural Product Processing, Agricultural Machinery and Equipment Industry and Agricultural Sector Service Industries.

Agricultural Products Processing Industry can be divided into several sections as follows: (1) food Crops: including those rich in carbohydrate, palawija and horticultural crops; (2) plantation crops, including sugarcane, coffee, tea, rubber, coconut, palm oil, tobacco, cloves, cocoa, vanilla, cinnamon and others, (3) forest product crops, including processed and non-timber products such as resin, rattan, tengkawang and other forest product, (4) fisheries, including the processing and storage of fish and fresh seafood, canning and processing and by-products of fish and sea, (5) livestock, including processing of fresh meat, milk, skin and other byproducts.

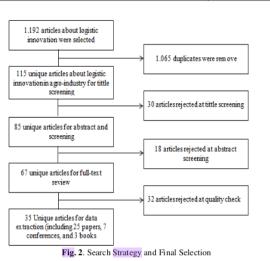
Agricultural machinery and equipment industry is divided into two activities as follows: (1) agricultural power, which includes tools and machinery of land processing (hoes, plows, tractors and others); (2) processing, which includes tools and machinery processing various agricultural commodities, such as grinding thresher machine, rice milling machine, drying machine and so forth. Agricultural Sector Service Industry is divided into three activities as follows: (1) trading, which includes the transportation activities, packaging and storage of both raw materials and products of agricultural processing industries; (2) Consultation, including planning, management, quality control and evaluation and project appraisal; (3) communication, concerning software technology that involves the use of computers and other modern communication tools. With agriculture as its center, agro-industry is an economic sector that includes all companies, agents and institutions that supply all agricultural needs and take commodities from agriculture to be processed and distributed to consumers.

3. Methods

This paper takes a Systematic Literature Review (SLR) approach. This study investigates the success factors of logistic innovation in agro-industry. Given the focus of this paper, the keywords included in the electronic resources, i.e.: Science Direct, Google Scholar, Wiley Online Library, and also in books. Based on Figure 1 it can be seen that the term innovation first appeared in 1934, the term logistics began to bloom discussed since 1998, the term logistics innovation began to grow for research in the Year 2000, and research in the field of logistics innovation in agro-industry began to grow in 2012. By 2015 until n 4, research has begun to lead to successful logistical innovation. Based on the evolution of the literature, this study includes publication was published in the last three years between 2015 and 2018. The articles of the study mainly indexed in minimum Scopus indexed journal and for books have ISBNs would be referred. Stages in paper search can be seen in Figure 2.



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4. Results and Discussion

Agro-industry is a mainstay industry of the future in Indonesia because it is supported by natural resources potential from agriculture, fishery/ marine, livestock, plantation and forestry. There are at least five main reasons why agro-industry is important to become the locomotive of future national economic growth for Indonesia i.e.: (1) The processing industry is able to transform comparative advantage into a compatibility advantage that ultimately strengthens the 2 mpetitiveness of Indonesian agribusiness products; (2) Have added value and a large market share so that progress can affect the growth of the national economy as a whole; (3) Having a great link both upstream and downstream (forward and bacward 12 kages), so as to attract the progress of other sectors; (4) Has a local raw material base (comparative advantage) that ca 2 be renewed so as to ensure sustainability; (5) Have the ability to transform the national economic structure from agriculture to industry with agro-industry as its driving force.

The results of the review of the various papers resulted in sixteen factors becoming the key to successful logistical innovation in the agro-industry. Table 1 shows the results a review on success factor of logistic innovation in agro-industry.

Table 1. Assessment The Success Factors of	logistic Innovation in Agro-
Ter des eters	

Industry					
S.No.	Success Fac-	Description	Sources		
	tors				
1	Efficiency in	The improved process	(11,12)		
	business pro-	so it is cheaper and			
	cesses	faster			
2	Continous	Ongoing efforts to	(13-15)		
	improvement	develop and improve			
		products, services and			
		processes. Creating the			
		best solution for the			
		existing problem, the			
		results will continue to			
		survive and develop			
		even better.			
3	Hunting on	actions or logistical	(16)		
	positive prac-	activities that are posi-			
	tices	tive results			
4	Integrated	Information systems	(12,17-20)		
	information	and technologies in-			
	technology,	volving various func-			
	systems, and	tional units as well as			
	management	relationships with com-			
		panies and outside			
		parties,			
5	Technology	in every process is	(11,13,14,17-19,21-		

	utilization	directed to the optimal use of technology	28)
6	Technical support and service archi- tecture	Various services pro- vide assistance with technology aimed at helping users with specific problems.	(19,29–32)
7	Strategic plan- ning	Strategic decisions that impact on the compa- ny's logistics perfor- mance within a span of time between 3 s.d. 5 years.	(13,19,32–34)
8	Distribution and transporta- tion manage- ment	Management of the process of an 11 ity to know the movement of a product from one location to the next where a movement like this usually form and produce a network or system	(12,15202434–36)
9	Alliance Strat- egy	long-term cooperation between the two com- panies in managing opportunities and risks	(1,19,37)
10	Collaboration	forms of cooperation, interaction, compromise of several elements related to individuals, institutions and/ or parties directly and indirectly involved in the consequences and benefits	(13,29,33,38)
11	Logistic com- petence	Competencies related to activities and logistics functions	(29,36,39)
12	Logistics Cost	expenditure aimed at bringing material from one place to the destina- tion	(13,29,34,36)
13	Regulation/ policy	Any form of regulation to control business conduct, may be in the form of legal re- strictions imposed by governments, industry regulations, trade asso- ciation rules, and so on.	(13,18,19,33)
14	Infrastructure	Physical facilities de- veloped / required by the user in carrying out logistical functions to support social and eco- nomic systems.	(13,19,32,35,36,40)
15	Sustainability	Socio-ecological pro- cesses characterized by the achievement of the same ideals, namely: the ability to maintain something by configur- ing civilization and human activity so as to meet their needs and express their greatest potential in the present, while preserving biodi- versity and natural ecosystems, planning and acting to be able to defend the ideals for future generations.	(11,12,19,20,34,41–43)

provement is required throughout the logistics strategy. Logistics strategy is directed to achieve the target cost leader and service leader. Positive hunting in the form of best practices in logistic

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innovation greatly helps the agro-industry to create innovative breakthroughs in logistics. The holding of innovation contests in logistics can present logistic innovation ideas for the agroindustry.

In the past few years many companies/ industries have utilized information technology solutions to optimize their business processes, but sometimes the solutions they develop are still halfway. They build the information technology solution in several separate systems, not in a single unit. This can cause some problems when there is a business process that requires collaboration or exchanges of information between work units or between business processes to complete the set of processes, which of course this will not be handled with information technology solutions such models. Integrated information and information technology systems are the solution to this problem.

Technology utilization in current logistics activities leads to digitalization. The application of digitization will support the successful realization of logistics innovation for agro-industry. Digitalisation is applied through the utilization of various technologies. Agro-industry should place the role of technology as supporting operations and data management. Some types of technologies that can be applied such as: 3D printing (Additive Layer Manufacturing) to robotics, Enterprise Resources Planning information systems, E-Commerce, application Decision Support System or abbreviated DSS, and others. Digitization will help in realizing the efficiency of time and cost in the business of logistics in agroindustry.

Strategic planning is a strategic decision that affects the company's logistics performance within a time span of 3 to 5 years. The decisions compiled in this strategic plan include: customer service management, distribution channel system, warehouse location, transportation mode options, strategic alliances, distribution and delivery systems, inventory management, distribution and transportation management, service level, and level stock. Implementation of this factor is an investment in increasing the competence of human resources, logistics and infrastructure sector investment. The technical standardization and processes within logistics system for agro-industry should also be structured in strategic planing to improve the efficiency and effectiveness of processes as strengthening 12 enhancing competitiveness.

Infrastructure plays an important role in determining the logistics performance of a company and even the state. Infrastructure is the physical facilities developed / required by the user in carrying out logistical functions as a supporter of social and economic systems. Transportation and warehousing are the main activities of the role of infrastructure. Logistics costs in Indonesia are still large because they are not yet supported by quality logistics infrastructure. Therefore, it needs to be improved: (1) integration of multimodal transport network through the alignment of various infrastructures to facilitate access to transport shipping/ shipping of oil from land to sea; (2) implement communication and information technology for planning and controlling logistics and warehousing transportation; (3) improve operational performance and service quality, for example by collaborating with strategic alliances (using thirdparty logistics (3 PL) in managing all material management activities for efficient solutions and improving overall logistics quality of the company.

Technological advances should be accompanied by adequate regulation and policy. This is needed to strengthen the national logistics system, primarily for export activities. Regulations and policies formulated effectively can realize the strengthening of the logistics system in agro-industry. The regulations and policies made must take into account the following aspects: social, economic, and environment, so as to achieve sustainability. The ranking result of success factors of logistic innovation in agro-industry can be seen in figure 3.

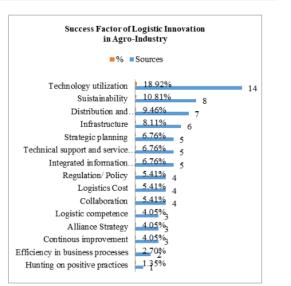


Fig. 3. Success Factor on Logistic Innovation in Agro-Industry

5. Conclusion and Recommendation

There are sixteen (15) factors that are determined as successful factors of logistics innovation in agro-industry of the search results using the Systematic Literature Review. These sixteen factors can be seen in Figure 5. The sixteen factors have the same degree of importance and have the same contribution to the successful achievement of logistics innovation. From the results of the study can be concluded that of the 15 factors, four (4) of them have a higher frequency of discussion than other factors. Therefore, it is deemed necessary to be given special attention to these 4 factors in creating logistic innovation in agro-industry. The 4 factors core strict (1) technology utilization, (2) sustainability, (3) distribution and transportation management, and (4) infrastructure.

This study recommends that further research undertakes to deepen any successful factors of logistics innovation in agro-industry. The depth includes: observing the relationship between success factors of logistics innovation in agro-industry and determining what are the constraining factors or potential obstacles in the implementation of these factors.

6. Conflict of Interest

There was no conflict of interest in this study.

Acknowledgments

This research is supported by the Center of Education and Industrial Training of the Ministry of Industry of the Republic of Indonesia.

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- 1. Background of study: Suggest to the justification of "innovation is the most important element in logistic management".
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1 Success Factors in *Palm Shell* Logistics Innovation for Export Market: The Case of

- 2 West Sumatra Indonesia.
- 3

4 Abstract

5 In the export business of palm shell, the exporters are well aware of the role of logistics to increase their competitive advantages. Innovation is much required to efficiently 6 manage the logistics system. At the same time, to come up with a successful innovation is also 7 8 a challenge for the exporters. There are many literature which defined the success factors for innovation in the area of logistics management. However, this paper aims to analyse the success 9 factors of logistics innovation for export markets and determine factors relevant to the business 10 11 process of exporting palm shell basec on literature published between 2015 and 2018. The 12 publication is from books and two electronic resources, i.e. Science Direct. A total of 1,167 13 articles are chosen because, owing to the high relevance. After the screening process, only 22 14 papers, 7 conference articles, and 3 books were included in this study. Through an in-depth 15 discussion with experts, five factors were determined as success factors of logistics innovation 16 in palm shells for the export markets, i.e. (1) strategic planning, (2) application of digitalisation, 17 (3) priority on competition, (4) infrastructure and (5) regulation/ policy. The five factors have 18 the same degree of importance and have the same contribution to the successful achievement 19 of logistics innovation. 20 21 Keywords: innovation, :logistics system, :export, :Palm Shell. 22 23 Introduction

Indonesia is the largest palm shell producing country in the world. Palm shells are industrial waste from palm oil factories which can be utilized as a potential alternative energy

1	source. (Mangoensoekarjo, S. dan Semangun, 2005) explained that the Palm Shell has a high	Commented [AR1]: Last name Change dan to and
2	calorific value where the resulting heat value is $4,105 - 4,802 \text{ kcal} / \text{kg}$ (1 kcal = $4,187 \text{ Joule} = 4,187 \text{ Joule}$	Wrong format
3	1.163 Wh). Howeever, the consumption of domestic Palm Shell is limited to boiler fuels, so	Commented [AR2]: Should be Please check for other sentences on
4	the export of plam kernel shell becomes a great business opportunity for Indonesia.	
5	The potential demand for Palm Shells reaches 7 - 8 million tons per year (Indonesian	
6	Economic Association, 2017). According to data from the Indonesian Palm Shell	
7	Entrepreneurs Association (Association of Indonesian Palm Shell Entrepreneurs, 2017), the	
8	export of national Palm Shell currently reaches 1.8 million tons for the international markets,	
9	of which 800,000 tons is for the Japanese market with world market price Palm Shell is about	
10	US $80 / ton FOB$ or equivalent to US $110 - 120 / ton CIF$. The contribution of Indonesia's	
11	Palm Shell to the world's needs is 60%, while the rest is filled by Malaysia (Association of	
12	Indonesian Palm Shell Entrepreneurs, 2017).	
13	Given the intense industrial competition, logistics play a major role in sustaining	
14	competitive advantage of the exporters of Palm Shell. The availability of the right amount of	
15	material becomes important in logistics. Overstock material is a waste. Inventory management	
16	of both material and storage movement activities can improve the cost efficiency of logistics.	
17	Cost efficiency can bring the company into cost leadership. The value of a product can be	
18	increased through logistics by ensuring the product will reach the market where it is needed,	
19	and available in the market at the right time and amount. Logistics cost in Indonesia \pm 14.7%	Commented [AR3]: Why???
20	of product sales price (Institute, 2013) and if calculated from the cost of the product, Indonesia	
21	logistic cost is 24% higger than other countries such as USA, UK, Japan, France, Canada, Italy	
22	(Zaroni, 2017) but less than 10% of Argentina, Spain, Brazil, Mexico, India, and China ranging	
23	from 11 to 20% (Rushton, Crouhcher, 2010).	Commented [AR4]: confusing
24	Firms that survive, grow, and compete are those which understand the role of logistics	
25	and create logistics innovation. Logistic innovation is a "novelty" in the management of	

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processes, goods, and information ranging from procurement to the hands of consumers to 1 2 achieve effectiveness and efficiency. Logistics becomes the determinant factor of the nation's 3 competitiveness as has been compiled in the blueprint of the Indonesia's National Logistics 4 System. The national logistics system was created through the issuance of presidential 5 regulation No. 26 of 2012 on the blueprint for the development of a national logistics system. This blueprint carries the logical vision of 2025 which is "Locally Integrated, Globally 6 7 Connected for National Competitiveness and Social Welfare". The development of a national 8 logistics system is intended to connect all areas ranging from among villages, between ports, 9 and between countries. The challenge for Indonesia now lies in competitiveness using science, technology and innovation. Indonesia ranks 36 out of 137 in terms of competitiveness (World 10 Economic Forum, 2017). Ranked 87 out of 127 in terms of innovation competitiveness (WIPO, 11 12 2017). And 80 out of 137 in terms of technological readiness (World Economic Forum, 2017). 13 By looking at the vision and position of Indonesia's competitiveness, it is necessary to improve 14 competitiveness, science and technology in the logistics sector. 15 The exporters of Palm Shell are aware of the role of logistics and will optimize the

strategic, tactical or operational decisions to improve the logistic system. Understanding the role of logistics is not enough to answer today's business challenges. Logistic innovation issues will be an important key in the logistics of Palm Shell for export markets, so it is necessary to formulate/ determine the innovation success factors in Palm Shell logistics for export markets.

20 Literature Review

The definition of logistics has evolved from the first era to the current era of industrial revolution 4.0. Understanding of logistics evolves from a focused perspective on transport activities to the view that logistics can be one source of competitive advantage for companies with technology use. (Porter, 2008) mentions that logistics is a basic activity in the formation of the value chain. Logistics is one source of significant competitive advantage for the company

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(Mentzer, J.T. and Williams, 2004). Logistics as an efficient planning, implementation and 1 2 control process that includes the flow of costs, raw material storage, half-finished goods 3 inventory, finished goods and other related information from the origin to the point of 4 destination with the purpose of customer needs can be achieved (Ballou, 2004). (Hadiguna, 5 2017) reveals five keywords as logistic definitions: goods, information, money, processes, and 6 decisions in which the key activities are procurement and transportation interactions. According to (Zaroni, 2017), logistics serves as an option of cost leadership strategy and 7 8 service leader strategy.

9 Innovation is always associated with some practices that are grounded in value. Innovation is about creating new tools, products or processes, giving birth to something "new" 10 that allows people to achieve something that can not be achieved before (Tidd, J., and Bessant, 11 12 2009). Inovation is not about the emergence of new or better products, but about the problem solving that must ariest first (Silverstein, D., Samuel, P., DeCarlo, 2009). Innovation is a social 13 14 and economic success as a result of the introduction or discovery of new ways or new 15 combinations that can create major changes that increase the use value or value of benefits 16 (perceived by consumers/ or users) and monetary value or price (Fontana, 2011). (Barringer, 17 B. R, and Ireland, 2013) state that innovation is the process of creating something new. This 18 definition of innovation explains that innovation is a "novelty" that provides value to 19 consumers and added value to producers (firms) where economic and social success is generated. Logistic innovation can be interpreted as a "novelty" process of planning, 20 21 implementation and control of goods, information, money, and decisions in the business/ 22 company that leads to increased value of use to consumers with care about economic, social 23 and environmental threats and increased efficiency and effectiveness for the company.

Studies related to logistic innovation have been largely done by previous researchers
with different focus. (Kamil, Insannul., Jonrinaldi., 2015) revealed that financing logistics

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infrastructure for the creation of connectivity will trigger innovation. Based on the World Bank 1 2 study on Logistics Performance Index (LPI) released every year, the logistics performance of a country is determined by logistics infrastructure. Overall, the logistics performance of a 3 4 country is determined by six main pillars, namely: (1) Customs efficiency and border 5 management (customs); (2) Quality of trade and infrastructure of transportation (infrastructure); (3) Ease of arranging delivery at competitive prices (Ease of arranging 6 shipments); (4) Competence and quality of logistics services (Quality of logistics services); (5) 7 8 Ability to track and track submissions (Tracking and tracing); (6) Timely delivery frequency 9 (Timeliness). (Amador, J., Cabral, 2014) describe the drivers and measures in the application 10 of Global Value Chain is a reliable logistics system. (Hadiguna, 2015) sees that information 11 and communication technology is the driving factor of logistics systems both micro (enterprise 12 level) and macro (national level). (Hadiguna, 2017) unravels conceptually various approaches 13 to solving problems in industrial logistics, such as: Fuzzy logic, that is used to assess risk based 14 on knowledge and experience of decision makers, heuristic and meta heuristic techniques for 15 completion of logistics cost optimization and optimization of delivery routes, and simulation 16 techniques for solving dynamic and stochastic situation problems (such as warehouse location 17 determination). The results of these studies show that innovation in industrial logistics requires 18 a system thinking perspective in formulating success factors because it involves multiple 19 stakeholders. The system thinking perspective is related to the business process of export of 20 Palm Shell. 21 Based on a review of the research found that research on logistics innovation with the

research object of the palm shell is still relatively minimal. There are many researches in the field of oil palm, but almost nothing to discuss about the success factors of logistics innovation of Palm Shell. A similar study was conducted in 2014 by Vorst and Hadiguna in 2015. (Vorst,

2014) discusses the three factors of successful agro-industry logistics innovation, namely:

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network infrastructure, planning and control, and stimulation of technology. The method used 1 2 is literature study and it is found that key decision on agro industry logistics, including: 3 transportation (gathering point, route, and loading), production (planning, mixing and 4 scheduling), inventory control (product type, product quantity, place), network design 5 (factories, distribution centers, and retailers), and the integral aspects (supply chain management). (Hadiguna, 2015) discloses six main drivers of logistics competitiveness, 6 including: key commodities, transport infrastructure, agents and logistics service providers, 7 8 human resources, information and communication technologies, and regulations and policies. 9 Some of the points that distinguish this research from Vorst and Hadiguna are: (1) possible changes in conditions affecting the Palm Shells industry for current export markets, 10 (2) research coverage in the Palm Shells industry in West Sumatra, (3) it is necessary to re-11 12 identify the factors found to be relevant to the characteristics of the logistics system and business process conditions of the Palm Shells for export markets. 13

14

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Methods 15

16 This paper take a previous study and in-depth discussion approach. The aim of this previous study is to analyze the success factors of logistics innovation for export markets. In-17 18 depth discussion with experts aims to identify and determine factors relevant to the business 19 process of exporting palm shell. Given the focus of this paper, the key words in search are innovation, logistics systems, and exports. Included publication were published in the last three 20 21 years between 2015 and 2018. The publication are from two electronic resources: Science 22 Direct and Google Scholar, and from books. Articles mainly indexed in minimum scopus 23 indexed journal and for books have ISBNs would be refered. 1.167 articles are chosen because 24 owing to the high relevance. After the screening process, this process resulted in the 22 papers, 7 conference, and 3 books included in this previous study.

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4

In-depth discussions were conducted with senior managers at the best and leading shell exporters in West Sumatra. This exporter is a company that has a level of fulfillment of export demand and financial stability is very high. The results of the in-depth discussions will be confirmed by previous study.

5

6 Data Collection and Analysis

7 Data collection was conducted in West Sumatera-Indonesia using primary and 8 secondary data. The business process of export of palm shells as the primary data is used as an 9 initial analytical tool. This data aims to see how business processes related to logistics in the 10 export activities of palm shells. primary data can be seen in the business process following the 11 export of palm shells.

Business process on export of palm shells in West Sumatra especially started from the Palm Oil Factory. The process started done by pre order. The exporter orders the palm shell with the specified amount and then made full payment. After that, the palm shell is sent to stockpile or Palm Shell collecting place. Usually the stockpile is leased by the exporter. In stockpile, palm shell are received through weighing, bulk, cleaning, spinning, timing, and loading process.

In the business of exporting palm shell, the exportir prepares supporting documents and follows the procedures, including: sales contracts, trade invoices, Letter of Credit (L/C), Notice of Export of Goods, Bill of Leading (B/L), Insurance Policy, Certificate of Origin, Quality Statement Letter, and export bills. For export procedures, include: correspondence, trade contracting, L/C issuance, preparing export goods, registering Notice of Export of Goods, ship booking, delivery of goods to port, customs inspection, loading of goods to ship, taking care of Certificate of Origin, L/C , and delivery of goods to importers. **Commented [AR14]:** where is the discussion with the experts????

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Secondary data was obtained from mass media and online media related to export, 1

logistics system, and the logistic innovation. A list of successful factors of logistic innovation 2

can be seen in table 1 below: 3

4

Table 1. Assessment of Success Factors in Previous Study

S.No.	Success Factors	References		
1	Efficiency in business	(Cherneva D, 2015a; Egea, Torrente, & Aguilar, 2018)		
	processes			
2	Continous improvement	(Baranowski et al., 2015; Hadiguna, 2015, 2017)		
3	Hunting on positive practices	(Özmutaf, Aktekin, Ergani, & Çıta, 2015)		
4	Integrated information	(Egea et al., 2018; Kersten & Blecker, 2015; Lainez,		
	technology, systems, and	González, Aguilar, & Vela, 2018; Mehmann, Jens., Volker		
	management	Frehe., 2015; See, 2015)		
5	Technology utilization	(Cherneva D, 2015b; De Araujo, De Oliveira, Marins, &		
-	65	Muniz, 2015; Durán & Córdova, 2015; Erkan & Yildirimci,		
		2015; García-Olivares, Solé, & Osychenko, 2018; Hadiguna,		
		2015, 2017; Harris, Wang, & Wang, 2015; Kersten &		
		Blecker, 2015; Mehmann, Jens., Volker Frehe., 2015;		
		Oussous, Benjelloun, Ait Lahcen, & Belfkih, 2017; Park,		
		2016; See, 2015)		
6	Technical support and service	(Cherneva D, 2015b; Frederick, Lim, 2015; Kersten &		
	architecture	Blecker, 2015; Limbourg, Giang, & Cools, 2016;		
		Roumboutsos, Kapros, & Vanelslander, 2014)		
7	Strategic planning	(Chen, Yin, & Mei, 2018; Frederick, Lim, 2015; Gurel, Acar,		
		Onden, & Gumus, 2015; Hadiguna, 2015; Kersten &		
		Blecker, 2015)		
8	Distribution and transportation	(Acar & Gürol, 2016; Baranowski et al., 2015; Çemberci,		
	management	Civelek, & Canbolat, 2015; Egea et al., 2018; García-		
		Olivares et al., 2018; Gurel et al., 2015; Lainez et al., 2018)		
9	Alliance Strategy	(Kersten & Blecker, 2015; Miyashita, 2015; Zaroni, 2017)		
10	Collaboration	(Chen et al., 2018; Cherneva D, 2015b; Hadiguna, 2015;		
		Pateman, Cahoon, & Chen, 2016)		
11	Logistic competence	(Çemberci et al., 2015; Cherneva D, 2015b; Fabová &		
10		Janáková, 2015)		
12	Logistics Cost	(Çemberci et al., 2015; Cherneva D, 2015b; Gurel et al., 2015)		
12	Description (molines	2015; Hadiguna, 2015)		
13	Regulation/ policy	(Chen et al., 2018; Hadiguna, 2015; Kersten & Blecker, 2015; Mahmann Jana, Vallar Eraba, 2015)		
14	Infrastructure	2015; Mehmann, Jens., Volker Frehe., 2015) (Acar & Gürol, 2016; Beifert, A., Gerlitz, L., Prause, 2015;		
14	Inirastructure	Cemberci et al., 2015; Frederick, Lim, 2015; Hadiguna,		
		2015; Kersten & Blecker, 2015)		
15	Green Logistic	(Geng, Mansouri, Aktas, & Yen, 2017; Gurel et al., 2015;		
15	Green Logistic	Hasan & Ali, 2015)		
16	Sustainability	(Beifert, A., Gerlitz, L., Prause, 2015; Cherneva D, 2015b;		
10	Sustainuonny	Egea et al., 2018; Gurel et al., 2015; Kersten & Blecker,		
		2015; Lainez et al., 2018)		
17	Attention to economic aspects	(Egea et al., 2018; Geng et al., 2017; Gurel et al., 2015; Hasan		
	(eco-efficiency), environment	& Ali, 2015; Lainez et al., 2018)		
	(environmental sustainability),			
	social, and safety			
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4

The research performs data analysis by sharpening, classifying, directing, removing unnecessary, and organizing data so that final conclusions can be taken from in-depth discussion with experts. Presentation of data in the form of text and narrative, as well as drawing conclusions as a basis for action. Interviews were conducted with senior managers.

5

6 **Results of Discussion With Experts**

7 In the logistics system of Palm Shell for export markets, the main functions of 8 industrial logistics include: ordering, purchasing, inventory, and shipping. Aspects of 9 operational and environmental costs are a priority in managing these logistics functions. The contribution of logistic costs to non-logistic costs on the export business of Palm Shell reaches 10 11 25% (14% tax cost and 11% operational cost). This figure can be suppressed with innovative 12 breakthroughs in its logistics system. There are five factors to consider for success in logistics 13 innovation of oil palm shells for export markets. These factors are: (1) strategic planning, (2) 14 application of digitalisation, (3) priority on competition, (4) infrastructure, (5) regulation/ 15 policy.

16 Strategic planning is a strategic decision that affects the company's logistics 17 performance with a time span of 3 to 5 years. Exporters of palm shells need to plan well the 18 decisions compiled in this strategic plan include: customer service management, distribution 19 channel system, stockpile location, transportation mode options, strategic alliances, 20 distribution and delivery systems, inventory management, and level stock. Implementation of 21 this factor is an investment in increasing the competence of human resources, logistics and 22 infrastructure sector investment. The technical standardization and processes within the palm 23 oil shell logistics system for export markets should also be structured in strategic planning to 24 improve the efficiency and effectiveness of processes as strengthening and enhancing 25 competitiveness.

9

Commented [AR16]: Are they the experts????? How many?

Commented [AR17]: Some transcription of the interviewees would be good

1 The application of digitization will support the successful realization of shell logistics 2 innovation for export markets. Digitalisation is applied through the utilization of various 3 technologies. Exporters of palm shells should place the role of technology as supporting 4 operations and data management. Some types of technologies that can be applied such as: 3D 5 printing (Additive Layer Manufacturing) to robotics, Enterprise Resources Planning 6 information systems, E-Commerce, application Decision Support System or abbreviated DSS, and others. Digitization will help in realizing the efficiency of time and cost in the business of 7 8 export process of palm shells.

9 Palm shell exporters need to have competitive priority. Competitive priority includes elements of flexibility, quality, cost, and delivery. Flexibility refers to the exporter's ability to 10 respond effectively to changing environmental conditions and this is necessary in the face of 11 12 uncertainty. Quality refers to the exporter's attention to the eight dimensions of quality. Cost 13 through the strategy of cost leadership, differentiation, and focus. Delivery referred to the 14 concept of capability related to the issue of time: the accuracy of delivery, the speed of delivery, 15 and the development of speed of service. Competitive priority is a strategic capability because 16 it helps to create, develop, and maintain competitive advantage. In the process, there are 17 continuous improvements. This continuous improvement is intended to develop and improve 18 products, services and processes. Creating the best solution for the existing problem, the results 19 will continue to survive and develop even better. This capability is attributed to market 20 demands in which firms compete.

Infrastructure plays an important role in determining the logistics performance of a company and even the state. Infrastructure is the physical facilities developed / required by the user in carrying out logistical functions as a supporter of social and economic systems. Transportation and warehousing are the main activities of the role of infrastructure. In the export of palm shells, the necessary infrastructure includes: seaports, roads, railways, and

1 information and communication technologies. Logistics costs in Indonesia are still large 2 because they are not yet supported by quality logistics infrastructure. Procurement of palm 3 shells from various Palm Oil Mill (PKS) and individuals in West Sumatra is still dominant 4 inland trucking. Therefore, it needs to be improved: (1) integration of multimodal transport 5 network through the alignment of various infrastructures to facilitate access to transport 6 shipping/ shipping of oil from land to sea; (2) implement communication and information technology for planning and controlling logistics and warehousing transportation; (3) improve 7 operational performance and service quality, for example by collaborating with strategic 8 9 alliances (using third party logistics (3 PL) in managing all material management activities from MCC to distribution (export) for efficient solutions and improving overall logistics 10 11 quality of the company.

12 Technological advances should be accompanied by adequate regulation and policy. 13 This is needed to strengthen the national logistics system, primarily for export activities. 14 Regulations and policies formulated effectively can realize the strengthening of the logistics 15 system of the palm shell industry for export markets. The regulations and policies made must 16 take into account the following aspects: social, economic, and environment, so as to achieve 17 sustainability. Important points to be reexamined in the export of this palm shell include: the 18 setting of export tax rates and other financing charges, the truck operating hours policy, the 19 policy of shipping palm shells not scattered along the highways, and the policy of exempting 20 illegal levies in the consolidation of loading and unloading in warehouses and transport to 21 seaports.

22

23 Conclusion and Recommendation

24 There are five factors that are determined as successful factors of logistics innovation
25 of the palm shells for the export markets by experts through in-depth discussions. These five

1 factors, namely: (1) strategic planning, (2) application of digitalisation, (3) priority on competition, (4) infrastructure, (5) regulation/ policy. The five factors have the same degree of 2 3 importance and have the same contribution to the successful achievement of logistics 4 innovation. Even though the shell of Indonesian origin is highly sought after by the world, 5 exporters should see that the competition in the export market is very tight. Inadequate infrastructure, costly logistics, and tortuous bureaucracy are the main causes of Indonesia's 6 weak export competitiveness. Therefore, exporters give input to innovate logistics by 7 8 emphasizing the success factors above.

9 This study recommends that further research undertakes to deepen any successful 10 factors of logistic shell logistics innovation for export markets. The depth includes: observing 11 the relationship between success factors of palm shell logistics innovation for export markets 12 and determining what are the constraining factors or potential obstacles in the implementation 13 of these factors.

14

15 **Conflict of interest**

- 16
- 17

18 Acknowledgments

19 This research is supported by the Center of Education and Industrial Training of the

20 Ministry of Industry of the Republic of Indonesia.

The authors declares no conflicts of interest.

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- 23

Update: 25 April 2018

- 2 Export Market
- 3

4 Abstract

5	In the export business of palm kernel shell, the businessmen are well aware of the	Comme
6	role of logistics in increasing competitive advantage. Nevertheless, the issue of innovation	Comme
7	becomes a challenge for companies in the management of logistics system. Therefore, it is	Comme
8	necessary to formulate the successful factors of logistics innovation of palm kernel shell for	
9	export market. This research traces the success factors of logistics innovation of palm kernel	Comme
10	shell for export markets. As a conceptual thought formulated through literature study, thought	
11	approaches are based on data and information through news searches, previous research results	
12	and other secondary sources. There are four successful factors of logistics innovation of palm	
13	kernel shell for export market, namely: competitive priority, 4.0 industry implementation,	
14	regulation, and strategic planning.	Comme factors id
15		selected f
16	Keywords: industrial logistics system, :inovation, :conseptual, :success factors, :export of palm	
17	kernel shell.	
18		
19	Introduction	
20	Indonesia is the largest palm kernel shells producing country in the world. One of the	
21	byproducts of palm kernel shell that has high economic value, namely: palm kernel shell. Palm	
22	kernel shell are industrial waste from Palm Oil Factory which can be utilized as a potential	
23	alternative energy source. Mangoensoekarjo and Semangun (2005) explained that the palm	
24	kernel shell has a high calorific value where the resulting heat value is $4,105 - 4,802$ kcal / kg	

25 (1 kcal = 4,187 Joule = 1.163 Wh). Nevertheless, the consumption of domestic palm kernel

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Commented [A3]: What issue? Need elaboration

ommented [04]: Traces means?

Commented [05]: The abstract need to highlight there are 7 factors identified based on prior study. And elaborate why 4 are selected from the perspective of "Palm kernel shell"

Commented [A6]: However

shell is limited to boiler fuels, so the export of palm shells becomes a great business opportunity
 for Indonesia.

3 The potential demand for palm kernel shells reaches 7 - 8 million tons per year 4 (Indonesian Economic Association, 2017). According to data from the Indonesian Palm Kernel 5 Shell Entrepreneurs Association (Association of Indonesian Palm Shell Entrepreneurs) in 6 2017, the export of national palm kernel shell currently reaches 1.8 million tons to international 7 markets, of which 800,000 tons to fill the Japanese Market, 50% of total volume shipments to 8 the world are destined to Japan with world market price palm kernel shell is about US \$ 80 / 9 ton FOB or equivalent US \$ 110 - 120 / ton CIF. The contribution of Indonesia's palm kernel 10 shell to the world's needs is 60%, while the rest is filled by Malaysia (Association of Indonesian 11 Palm Kernel Shell Entrepreneurs, 2017).

12 Welcoming the business opportunity of the export of palm kernel shell, businessmen (exporters) of palm kernel shells need to understand the role of logistics as one source of 13 significant competitive advantage for the company. The objective of logistics is to provide 14 15 assurance that the product can be provided appropriately (the right): quantity, quality, place, time, condition, customer, and cost (Rushton et al, 2010). In the context of corporate 16 17 management, the important role of logistics in achieving competitive advantage is: product cost 18 efficiency (cost leader) and product value increase (service leader). Logistics cost in Indonesia + 14.7% of product sales price (FEUI Management Institute, 2013) and calculated from cost 19 20 of product, Indonesia logistic cost is 24% (Zaroni, 2017). In aggregate to Gross Domestic 21 Product (GDP), logistics cost in Indonesia is 24%, bigger than other countries such as: USA, 22 UK, Japan, France, Canada, Italy less than 10%, or Argentina , Spain, Brazil, Mexico, India, 23 and China ranging from 11 to 20% (Rushton et al, 2010). Hence...? 24 Firms that survive, grow, and compete are those who understand the role of logistics

and create logistical innovation. Logistics becomes the determinant factor of the nation's

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toward CQ

Commented [A9]: names as "exporters", not business man, Commented [A10]: they" need to understand" or "they are aware of"? Commented [A11]: do u means role of logistics is significant

Commented [A7]: "...fulfill Japanese market need....."

Commented [A12]: Flow of discussion can be improved. Starts with discussion how CA can be achieved via logistics (i.e.ost leader and service leader). Follows by how to achieve CL and SL

Commented [A15]: what is logistical innovation, elaborate

Commented [A13]: Repeated Commented [A14]: higher

	3	
1	competitiveness as has been compiled in the blueprint of the National Logistics System	
2	(Sislognas). The challenge for Indonesia now lies in competitiveness, science and technology,	Commented [A16]: elaborate
3	and innovation. Indonesia ranks 36 out of 137 in terms of competitiveness (WEF, 2017), ranked	
4	87 out of 127 in terms of innovation competitiveness (WIPO, 2017), and 80th out of 137 in	
5	terms of technological readiness (WEF, 2017).	Commented [A17]: Hence, what is the conclusion?
6	The businessmen (companies/ exporters) of palm kernel shell already understand the	Commented [A18]: The producer and exporter
7	role of logistics well. This is seen from the decisions that have been made by the company,	Commented [A19]: aware of
8	whether it is strategic, tactical, or operational. These decisions have been attached to the	
9	mechanism/ The businessmen (companies/ exporters) of palm kernel shell already understand	
10	the role of logistics well. This is seen from the decisions that have been made by the company,	
11	whether it is strategic, tactical, or operational. These decisions have been attached to the	
12	mechanism/ business process on the export palm kernel shell in Indonesia in general and West	
13	Sumatra in particular.	Commented [A20]: Content repeated and lack of continuation
14	Understanding the role of logistics alone is not enough to answer today's business	
15	challenges. Logistic innovation issues will be an important key in the logistics of palm kernel	Commented [A21]: what issue? need elaboration
16	shell for export markets, so it is necessary to formulate/ determine the success factors in	
17	logistics innovation of oil palm shell for export markets. This paper is a conceptual concept	
18	formulated through literature studies. Data and information obtained through searching news,	Commented [A22]:
19	research results, and other secondary sources.	
20		
21	Literature Review	Commented [A23]: This section appeared to me as "Research Background" rather than LR.
22	The definition of logistics has evolved from the first era to the current era of industrial	Dackground lauri unan LK.
23	revolution 4.0. Understanding of logistics evolves from a focused perspective on transport	
24	activities to the view that logistics can be one source of competitive advantage for companies	
25	with technology use. Porter (2008) mentions that logistics is a basic activity in the formation	Commented [A24]: Grammatical issue

of the value chain. Logistics is one source of significant competitive advantage for the company 1 2 (Mentzer, 2004). Logistics as an efficient planning, implementation and control process that 3 includes the flow of costs, raw material storage, half-finished goods inventory, finished goods 4 and other related information from the origin to the point of destination with the purpose of 5 customer needs can be achieved (Ballou, 2004). Hadiguna (2017) reveals five keywords as 6 logistic definitions: goods, information, money, processes, and decisions in which the key 7 activities are procurement and transportation interactions. According to Zaroni (2017), logistics 8 serves as an option of cost leadership strategy and service leader strategy.

9 Innovation is always associated with some practices that are grounded in value. Innovation is about creating new tools, products or processes, giving birth to something "new" 10 that allows people to achieve something that can not be achieved before (Tidd & Bessant, 11 12 2009). Inovation is not about the emergence of new or better products, but about the problem solving that must ariest first (Silverstein, 2009). Innovation is a social and economic success 13 as a result of the introduction or discovery of new ways or new combinations that can create 14 15 major changes that increase the use value or value of benefits (perceived by consumers/ or 16 users) and monetary value or price (Fontana, 2011. Barringer and Ireland (2013) state that 17 innovation is the process of creating something new. This definition of innovation explains that innovation is a "novelty" that provides value to consumers and added value to producers (firms) 18 19 where economic and social success is generated. Logistic innovation can be interpreted as a 20 "novelty" process of planning, implementation and control of goods, information, money, and 21 decisions in the business/ company that leads to increased value of use to consumers with care 22 about economic, social and environmental threats and increased efficiency and effectiveness 23 for the Company.

Studies related to logistic innovation have been largely done by previous researchers
with different focus. Kamil, Jonrinaldi, and Halim (2015) revealed that financing logistics

Commented [A25]: meeting customer needs

Commented [A26]: Need to define what is logistic from "palm kernel shell" perspective

infrastructure for the creation of connectivity will trigger innovation. Referring to the World 1 2 Bank study on Logistics Performance Index (LPI) released every year, the logistics 3 performance of a country is determined by logistics infrastructure. Overall, the logistics 4 performance of a country is determined by six main pillars, namely: (1) Customs efficiency 5 and border management (customs); (2) Quality of trade and infrastructure of transportation 6 (infrastructure); (3) Ease of arranging delivery at competitive prices (Ease of arranging shipments); (4) Competence and quality of logistics services (Quality of logistics services); (5) 7 8 Ability to track and track submissions (Tracking and tracing); (6) Timely delivery frequency 9 (Timeliness). Amador and Cabral (2014) describe the drivers and measures in the application 10 of Global Value Chain is a reliable logistics system. Hadiguna (2015) sees that information and communication technology is the driving factor of logistics systems both micro (enterprise 11 12 level) and macro (national level). Hadiguna (2017) unravels conceptually various approaches 13 to solving problems in industrial logistics, such as: Fuzzy logic, that is used to assess risk based 14 on knowledge and experience of decision makers, heuristic and meta heuristic techniques for 15 completion of logistics cost optimization and optimization of delivery routes, and simulation techniques for solving dynamic and stochastic situation problems (such as warehouse location 16 17 determination). The results of these studies show that innovation in industrial logistics requires a system thinking perspective in formulating success factors because it involves multiple 18 19 stakeholders. The system thinking perspective is related to the business process of export of 20 palm kernel shell.

Based on a review of the research found that research on logistics innovation with the research object of the palm shell is still relatively minimal. A lot of research in the field of oil palm, but almost nothing to discuss about the success factors of logistics innovation of palm kernel shell. A similar study was conducted in 2014 by Vorst and Hadiguna ini 2015. Vorst (2014) discusses the three factors of successful agro-industry logistics innovation, namely: Commented [A27]: need elaboration

Commented [A28]: Bases on LPI? or other? Need elaboration From here onward to line 10 discuss "Logistic performance"

Commented [A29]: elaboration

Commented [030]: Here onward discuss about ICT as driving factor for logistic

Commented [031]: Which study related to innovation?

Commented [032]: Needs elaboration on "System thinking"

1	network infrastructure, planning and control, and stimulation of technology. The method used	
2	is literature study and it is found that key decision on agro industry logistics, including:	
3	transportation (gathering point, route, and loading), production (planning, mixing and	
4	scheduling), inventory control (product type, product quantity, place), network design	
5	(factories, distribution centers, and retailers), and the integral aspects (supply chain	
6	management). Hadiguna (2015) discloses six main drivers of logistics competitiveness,	
7	including: key commodities, transport infrastructure, agents and logistics service providers,	
8	human resources, information and communication technologies, and regulations and policies.	
9	Some of the points that distinguish this research from Vorst and Hadiguna are: (1)	
10	possible changes in conditions affecting the palm kernel shells industry for current export	
11	markets, (2) research coverage in the palm kernel shells industry in West Sumatra, (3) it is	
12	necessary to re-identify the factors found to be relevant to the characteristics of the logistics	
13	system and business process conditions of the palm kernel shells for export markets.	Commented [033]: These are success factors studied by prior researchers.
14		
15	Methods	
16	This research is a conceptual thinking that uses literature study method related to	
17	logistic innovation. Data and information are obtained through searching for news, previous	Commented [A34]: Grammatical issue
18	research results and other secondary sources. Based on the literature study, a list of successful	
19	factors of logistic innovation was formulated in accordance with the characteristics and	
20	business processes of palm kernel shell exports.	Commented [035]: Which section of write up discuss or showing this? (The formulation of success factors for palm kernel
21		shell)
22	Data Collection	
23	Data collection was conducted to obtain information needed in order to achieve the	
24	research objectives, including methods: questionnaires, observations, interviews, and	
25	documents (Gulo, 2010: 110). The data collecting is done by researcher with observation and	Commented [036]: Which one used in your research?

document. Through observation, researchers recognize the work processes and business
 processes of the export of palm kernel shell. Through the document, researchers know the
 success factors of logistics innovation.

4

5 Data Analysis

6 In this study, researchers adopted qualitative data analysis techniques that are based 7 on the opinions of Miles & Huberman. According to Miles and Huberman (2014), there are 8 three qualitative data analysis techniques, namely: data reduction, data presentation, and 9 conclusion. The researcher performs a form of analysis that sharpens, classifies, directs, 10 discards unnecessary, and organizes the data so that final conclusions can be taken. 11 Furthermore, researchers perform the presentation of data in the form of narrative text and 12 charts, as well as drawing conclusions as a basis for taking action.

13

14 **Results (or Results and Discussion)**

15 In general, business processes or purchasing mechanisms of palm kernel shell in 16 general in Indonesia and West Sumatra especially started from the Palm Oil Factory which is 17 done by pre order. The company (exporter) orders the palm kernel shell with the specified 18 amount and then made full payment. After that, the palm kernel shell is sent to stockpile or 19 palm kernel shell collecting place. Usually the stockpile is leased by the company (exporter). 20 In stockpile, palm kernel shell are received through weighing, bulk, cleaning, spinning, timing, 21 and loading process. In the business of exporting palm kernel shell, the company prepares 22 supporting documents and follows the procedures, including: sales contracts, trade invoices, 23 Letter of Credit (L/C), Notice of Export of Goods, Bill of Leading (B/L), Insurance Policy, 24 Certificate of Origin, Quality Statement Letter, and export bills. For export procedures, include: 25 correspondence, trade contracting, L/C issuance, preparing export goods, registering Notice of 1 Export of Goods, ship booking, delivery of goods to port, customs inspection, loading of goods

2~ to ship, taking care of Certificate of Origin, L/C , and delivery of goods to importers.

3 Searching for news, research results, and other secondary sources, a list of successful

4 logistical innovation factors is listed :

5

Factors of Successful Logistics Innovation

No.	Factor	Definition	Source (Researched by :)	Commented [AR37]: What's this??
1	Strategic	Strategic decisions that impact	(Aronietis, dkk, 2012)	
	Planning	on the company's logistics	(Cherneva & Voigt, 2015)	
		performance with a span of time	(Frederick, Lim, & Srai, 2015)	
		between 3 s.d. 5 years.	(Guohua dan Panpan, 2011)	
			(Hadiguna, 2015)	
			(Hahn & Kuhn, 2012)	
			(Kersten, Blecker, & Ringle,	
			2015)	
			(Klumpp, Bioly, Zelewski, 2009)	
			(Petit dan Beresford, 2012)	
			(Roumboutsos, Kapros,	
			(Vanelslander, 2014)	
			(Turğut, Banu Tuğba., Gamze	
			Tağ Ahmet Herekoğlu Hakan	
			Tozan Ozalp Vayvay, 2011)	
			(Vorst, 2014)	
			(Yunkai, 2006)	
2	Implementation	Utilization of various types of	(Aronietis, dkk, 2012)	
	of industrial	technologies that are connected	(Beifert, Prause, & Gerlitz,	
	technology 4.0	digitally, ranging from 3D	2015)	
		printing to robotics, new types of	(Cherneva & Voigt, 2015)	
		materials and production	(Esper, dkk, 2007)	
		systems.	(Guohua dan Panpan, 2011)	
		Here is implemented,	(Hadiguna, 2015)	
		digitalization, autonomization,	(Hahn & Kuhn, 2012)	
		transparency, mobility,	(Kamadjaja Logistics, 2015)	
		modularization, product and	(Kamil, 2015)	
		process socialization.	(Klumpp, Bioly, Zelewski, 2009)	
			(Petit dan Beresford, 2012)	
			(Vorst, 2014)	
			(Yunkai, 2006)	
3	Competitive	Strategic capabilities that can	(Allameh et al, 2011)	
	Priority	help companies to create,	(Banerjee & Siemens, 2015)	
		develop, and maintain	(Beifert, Prause, & Gerlitz,	
		competitive advantages related	2015)	
		to market demands in which	(Bidokhti et al, 2011)	
		firms compete, include elements:	(Cherneva & Voigt, 2015)	

4InfrastructurePhysical facilities developed / required by the user in carrying out logistical functions to systems.2010) (See & Kalogerakis, 2015) (Tabarsa & Ormozdi, 2008) (Turğut, Banu Tuğba., Gamze Tağ Ahmet Herekoğlu Hakan Tozan Ozalp Vayvay, 2011) (Vorst, 2014) (Wagner & Busse, 2008) (Yousefifar et al, 2015)4InfrastructurePhysical facilities developed / required by the user in carrying out logistical functions to support social and economic (Guohua dan Panpan, 2011) (Hadiguna, 2015) (Kamadjaja Logistics, 2015) (Kamil, 2015) (Kersten, Blecker, Ringle, 2015) (Klumpp, Bioly, Zelewski, 2009) (Roumboutsos, Kapros, (Vanelslander, 2014)		Flexibility, Quality, C Delivery.	Cost, and	(Daneshfard & Zakeri, 2010) (Esper, dkk, 2007) (Flint et al, 2005) (Fuller, Hutler, & Hautz, 2013) (Kunal, 2013) (Guohua dan Panpan, 2011) (Hadiguna, 2017) (Hahn & Kuhn, 2012) (Hjalmarsson, dkk, 2014) (Hugos, 2003) (Kalogerakis & Wagenstetter, 2014) (Kamadjaja Logistics, 2015) (Kamil, 2015) (Kersten, Blecker, & Ringle, 2015) (Kersten, Blecker, Ringle, 2015) (Kersten, Seidel, & Wagenstetter, 2012) (Lin & Ho, 2008) (Pfeifer & Gebauer, 2013) (Roumboutsos, Kapros, (Vanelslander, 2014) (Sedziuviene & Vveinhardt,
(Vanelslander, 2014)	4 Infrastructure	required by the user in out logistical functi support social and e	carrying tions to	(Roumboutsos, Kapros, (Vanelslander, 2014) (Sedziuviene & Vveinhardt, 2010) (See & Kalogerakis, 2015) (Tabarsa & Ormozdi, 2008) (Turğut, Banu Tuğba., Gamze Tağ Ahmet Herekoğlu Hakan Tozan Ozalp Vayvay, 2011) (Vorst, 2014) (Wagner & Busse, 2008) (Yousefifar et al, 2015) (Beifert, Prause, & Gerlitz, 2015) (Frederick, Lim, & Srai, 2015) (Guohua dan Panpan, 2011) (Hadiguna, 2015) (Kamadjaja Logistics, 2015) (Kamil, 2015) (Kersten, Blecker, Ringle, 2015) (Klumpp, Bioly, Zelewski, 2009) (Roumboutsos, Kapros,

			(Winner et al. 2012)
5	Regulation	Any form of regulation to control business conduct, may be in the form of legal restrictions imposed by governments, industry regulations, trade association rules, and so on.	(Wirges et al, 2012) (Filippetti & Archibugi, 2011) (Frederick, Lim, & Srai, 2015) (Guohua dan Panpan, 2011) (Hadiguna, 2015) (Kersten, Blecker, & Ringle, 2015) (Mehmann, Frehe, & Teuteberg, 2015) (Roumboutsos, Kapros, (Vanelslander, 2014) (Simatupang, 2011)
6	Sustainability	Socio - ecological processes characterized by the achievement of the same ideals, namely: the ability to maintain something by configuring civilization and human activity so as to meet their needs and express their greatest potential in the present, while preserving biodiversity and natural ecosystems, planning and acting to be able to defend the ideals for future generations.	(Beifert, Prause, & Gerlitz, 2015) (Cherneva & Voigt, 2015) (Cherneva & Voigt, 2015) (Elkington, 1994) (Green et al, 2012) (Kersten, Blecker, Ringle, 2015) (Klumpp, Bioly, Zelewski, 2009) (Komisi Eropa, 2001) (Seuring, S. and Müller, M., 2008) (Roth & Kaberger, 2002) (Roumboutsos, Kapros, (Vanelslander, 2014) (Taniguchi, Thompson, Yamada, 2014) (Turğut, Banu Tuğba., Gamze Tağ Ahmet Herekoğlu Hakan Tozan Ozalp Vayvay, 2011)
7	Continuous improvement	Ongoing efforts to develop and improve products, services and processes. Creating the best solution from the existing problem, the results will continue to survive and develop even better.	(Cherneva & Voigt, 2015) (Hadiguna, 2015) (Klumpp, Bioly, Zelewski, 2009) (Petit dan Beresford, 2012) (Vorst, 2014)

2 Discussion (or Results and Discussion)

3 In the logistics system of palm kernel shell for export markets, the main functions of 4 industrial logistics include: ordering, purchasing, inventory, and shipping. Aspects of

5 operational and environmental costs are a priority in managing these logistics functions. The

Commented [038]: Suggest to enhance the discussion/justification on how the 4 factors are selected from Palm Kernell Shell logistic system perspective.

contribution of logistic costs to non-logistic costs on the export business of palm kernel shell
 reaches 25% (14% tax cost and 11% operational cost). This figure can be suppressed with
 innovative breakthroughs in its logistics system.

Hay Group Logistics Manpower Study (2015) mentions that technological advances
will result in greater productivity and shape the future of logistics. Modern warehouses
equipped with key technology solutions will achieve greater productivity, improve volume
handling, inventory speed and accuracy at lower costs. Warehouse of the future (modern) can
be seen in Figure 1 below.

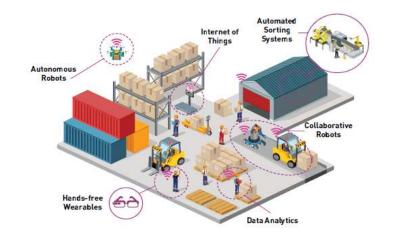


Figure 1: Warehouse of the Future (Modern) Source: Republic Polytechnic COI SCM (Hay Group Logistics Manpower Study, 2015)

palm shells for export markets. The first is competitive priority which includes elements of

flexibility, quality, cost, and delivery. Flexibility refers to the ability to respond effectively to

There are four factors to consider in order to succeed in logistics innovation of oil

Commented [039]: How to link to the success factors? The discussion must support the proposed success factors

Commented [040]: Which factors?

Commented [041]: Are these 4 factors on top of the 7 factors proposed in the Table

Commented [042]: How to link to the 4 factors

16 constantly changing environmental conditions and this is necessary in the face of uncertainty.

9 10

11 12

13

14

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17 Quality is concerned with the eight dimensions of quality. Cost through the strategy of cost

18 leadership, differentiation, and focus. Delivery referred to the concept of capability related to

the issue of time: the accuracy of delivery, the speed of delivery, and the development of speed
 of service.

The characteristics of the 4.0 industry are digitization through the utilization of 3 4 various technologies. The exporters of palm kernel shell should also prepare the 5 implementation of the 4.0 industry in the company's logistics system. Implementation of the 4.0 industry is a low energy concept, reliable, integrated, transparent, high adaptability, 6 providing technical support and service architecture. The second factor would be to place the 7 role of technology as supporting operations and data management. Some types of technologies 8 9 such as 3D printing (Additive Layer Manufacturing) to robotics, Enterprise Resources Planning 10 information systems, E-Commerce, Decision Support System application or abbreviated DSS, 11 and others.

12 The third factor deals with regulation. Technological advances should be 13 accompanied by adequate regulation. This is needed to strengthen the national logistics system, 14 primarily for export activities. Regulations and policies formulated effectively can realize the 15 strength of the logistics system of the palm kernel shell industry for export markets.

16 The last factor is strategic planning. The decisions compiled in this strategic plan 17 include: customer service management, distribution channel system, supply points, factory location, depot system configuration, depot type and amount, depot location and size, 18 19 transportation mode choice, strategic alliance, distribution and delivery system, inventory 20 management, and inventory levels. Implementation of this factor is an investment in increasing 21 the competence of human resources logistics and infrastructure sector investment. Technical 22 standardization and processes within the palm kernel shell logistics system for export markets 23 also need to be structured in strategic planning to improve the efficiency and effectiveness of 24 processes as strengthening and enhancing competitiveness.

25 XX

Commented [043]: This inline with Factor 2, ok

Commented [044]: Which one is 1st factor?

Commented [045]: Another factor?

Commented [046]: This is the 5th factor in the table

Commented [047]: Why the other 3 factors are not relevant to palm kernel shell logistic system

2 Conclusion and Recommendation

3 There are four factors that need to be considered in achieving successful innovation 4 in palm kernel shell logistics system for export market, namely: competitive priority, 4.0 5 industry implementation, regulation, and strategic planning. The success of logistics innovation of palm kernel shell for the export market is determined by an appropriate logistical strategy 6 7 that is strategic, tactical, and operational. These four factors are a recommendation to focus business actors in innovating the logistics system of palm kernel shell industry for export 8 9 market. Implementation of industry 4.0 through the use of various technologies will further 10 bring the company's business processes more efficiently and effectively and bring positive 11 impacts on sustainability and continuous improvement. Eventhough it has been embodied in 12 the blueprint of the national logistics system, infrastructure financing needs to be prepared for 13 the acceleration of logistics functions to support social and economic systems.

14

15 **Conflict of interest**

16 The author whose names are listed report the following details of affiliation or 17 involvement in an organization or entity with a financial or non-financial interest in the subject 18 matter or materials discussed in this manuscript.

19

20 Acknowledgments

21 This research is supported by the Center of Education and Industrial Training of the 22 Ministry of Industry of the Republic of Indonesia and PT. Indonesia Logistic Partners. Thank 23 you to Mr. Chris Jusran and Mr. Rizaldi Sardani as well as various parties who have provided 24 insight and specialization that really helped this research.

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