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**INNOVATING TRADITION AT HOSOO**

Philip Sugai wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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Masao Hosoo was the 11th generation president and owner of Hosoo, a kimono wholesaling and Nishijin weaving company that was established in 1688 and headquartered in Kyoto, Japan. In late March 2018, Masao and his son Masataka were planning to set in place a new strategy to propel the Hosoo brand forward for at least another 12 generations. But as Masao gazed out his office windows at the spring cherry blossoms illuminated by the nighttime Kyoto cityscape, he wondered if the new strategy would be a success or, instead, if the downward spiral of Japan’s domestic kimono market would be too much for Hosoo to overcome.

In 2010, Masao elected to dismantle the traditional looms that had powered the Hosoo business for more than 300 years and replace them with looms that could effectively serve international customers. The change led to acquiring some of the world’s top luxury brands as Hosoo’s customers, including Dior, Chanel, Louis Vuitton, and Bulgari, as well as The Ritz-Carlton and Four Seasons hotels. While these efforts had catapulted Hosoo’s Nishijin textiles onto the global luxury textile market, Hosoo’s traditional kimono manufacturing and wholesaling businesses faced a dire and dying domestic market.

From 1982 to 2018, Japan’s kimono market had contracted to one-tenth of its 1982 levels; without immediate action, the market might disappear completely within another 35 years or less. With its efforts to establish new looms, Hosoo was able to enter an existing, thriving, global luxury textile market; however, to revitalize Japan’s depressed kimono manufacturing industry, Hosoo would need to create an entirely new international market for luxury kimonos. This was a feat that no other designer or company had yet been able to accomplish, but it was exactly the type of challenge that the Hosoo business had thrived upon throughout its 330-year history. The challenge spoke to the spirit of the master craftsmen—*shokunin*,[[1]](#footnote-1) as they were called in Japanese—whose ability to innovate and be creative was fundamental to their long-term success.

As Masao considered his options, he knew that he had no other choice but to fundamentally change the characterization of “kimono” in the minds of luxury fashion customers globally. The question that remained unanswered was exactly how this could be accomplished.

The History of the Kimono and the House of Hosoo

The kimono—literally, “the thing worn”—was a traditional Japanese garment with straight seams, sewn in a T-shape. Traced back to Japan’s Yayoi period (300 BCE–300 CE), the kimono had evolved over the centuries through multiple design modifications. The basic structure and silhouette persisted through design refinements, while evolution of the garment largely involved changes to the fabrics, colours, patterns, and details used to make and adorn the garment’s surface.[[2]](#footnote-2)

Nishijin was a method of weaving silk for kimonos with dyed threads to create designs and patterns. The technique dated from the 5th to 6th centuries; by the 8th century, the textile artists and their production were governed by the royal court. The art was almost extinguished when the civil war of the 15th century caused the artisans to flee where they lived and worked; however, the art was resurrected when the artisans re-established themselves in Kyoto.[[3]](#footnote-3)

Masao explained Hosoo’s history with the kimono: “According to my father, our family began weaving Nishijin fabric during the Genroku period [1688–1704, a period of urbanization and rapidly expanding commerce], in the same district as the famous Sen tea houses of Omotesenke and Urasenke.”

The business model that guided the Hosoo business during its early years was that of a traditional guild. Creating a kimono from scratch involved a series of steps, and each of those individual steps was completed by an individual craftsman family, who in turn became a guild. The guild to which the Hosoo family belonged between the 17th to 19th centuries was one of the most prestigious in all of Japan, receiving orders for attire for important imperial ceremonies directly from the families of the Emperor, the Tokugawa shogunate,[[4]](#footnote-4) Japan’s largest shrines and temples, and the wealthy patrons of traditional Noh and Kyōgen theatres.

Unlike the 2018 retail business model where profits were the fundamental goal of business operations, the goal of a craft guild was to showcase the creative capabilities of its members, with money being paid when their skills met or exceeded expectations. Reputation and success were measured in terms of the artistic beauty and creativity of their final work, with the honour being shared among all members of the guild.

Masao explained:

At that time, the approach to production was much different than it is today. Important clients would order textiles from Hosoo one year in advance. These customers approached our family’s guild and explained the purpose and contents of an upcoming event or ceremony and asked them to create textiles that would enhance the mood that the customers were aiming to create. After receiving this order, our guild members would work at their very highest levels in order to “wow” their clients. Because of this, the guild preferred to use very expensive materials and they devised new techniques to work with them. They didn’t think about sales volumes or the profits they could gain. Instead, they focused exclusively on doing their best work, because if they did not, it would be a failure for the entire guild. It was only after they delivered the final products that they would be paid.

To make their weaving techniques unique, weavers who lived in the Nishijin area of Kyoto used special dyeing and weaving methods dating back to approximately 850 BCE. The most distinctive element of the entire Nishijin weaving process was a gold laminate and paper-based material called *haku*. Kana Suda, project manager for Hosoo’s textile division, described haku as “a base layer of *washi*[[5]](#footnote-5) and a layer of haku foil, which is then thinly sliced so that it can be woven in as yarn along with other materials such as silk.”

The creation of haku itself was incredibly complex, and weaving with haku was a skill that only Nishijin weavers mastered, giving their textiles a lustrous and shimmering beauty that other textiles simply could not replicate. Suda explained, “In Japan at that time, jewellery such as necklaces or earrings were not worn, and because of this, the gold or silver threads woven into Nishijin fabrics were considered to be the height of luxurious fashion.”

Although Hosoo and its guild faced many crises and changes over the 235 years of its continuous operations, the Hosoo business continued solely as a textile manufacturer until 1923. At that time, Tokujirko and Kayo Hosoo, Masao’s grandparents, decided to expand the scope of their work to include textile wholesaling in addition to textile production. In the 1940s, the Second World War destroyed everything in Japan, including the Hosoo business. But, together with many other Japanese business owners, the Hosoo family worked to re-start their operations again from the beginning.

Before the Second World War, only the rich purchased high-quality silk kimonos because they were incredibly expensive relative to working wages at the time. But as Japan experienced its economic recovery and growth in the 1950s and 1960s, high-quality kimonos soon came within reach of even middle-class families willing to splurge on such luxuries. During this economic boom, a new cultural purchasing pattern emerged where mothers would buy a new kimono for themselves as well as one for their daughters when they married, allowing the daughter to take this expensive luxury with her into her new home. As the economic bubble continued to expand into the 1970s and early 1980s, so too did the kimono market bubble, swelling to become a ¥2-trillion[[6]](#footnote-6) (approximately US$8-billion)[[7]](#footnote-7) market as of 1982.

**THE CRASHING KIMONO MARKET**

Masao was born in 1953, the first son of his family and the 11th generation heir to the Hosoo business. For his undergraduate studies, Masao attended Doshisha University, one of Japan’s most prestigious private universities. During that time, he became enamoured with international business, so when he graduated in 1975, Masao asked his father to allow one of Masao’s younger brothers to become the next Hosoo president. Masao wanted to pursue his career overseas and no international market for kimonos existed.

Following his dream, Masao was recruited into Itochu Corporation (Itochu), one of Japan’s largest trading companies, and was assigned to its international textile business. For the first three years of his Itochu career, Masao worked at the company headquarters in Osaka. But in 1978, Masao was transferred to Milan, where he was assigned to work at an Italian apparel company in which Itochu had business interests. Masao recalled his time there:

During my four years in Milan, I had the opportunity to see our family business and Nishijin textiles from a new and more globally aware viewpoint. Because I had grown up surrounded by Nishijin textiles, they always felt common and definitely not unique to me. But when I looked back on these same textiles from Italy, I found them to be so beautiful and thought of so many possibilities for their sale and use overseas. It was at that time that I decided to bring Nishijin textiles to the global market.

During Masao’s fourth year in Italy, his father was diagnosed with cancer and asked Masao to reconsider his previous decision and return to Kyoto to run the Hosoo business. Masao agreed under one condition: that he be allowed to expand Nishijin textiles to international markets. Masao’s father quickly agreed. So, in the spring of 1982, Masao informed Itochu that he would be leaving the company and returning home to take the reins of a booming domestic business.

Masao returned to Kyoto to rejoin his family’s business during a peak sales year for kimonos. Because business was so good and profits so high, no other members of the Hosoo leadership team felt any interest in Masao’s plan to sell Nishijin textiles in international markets. Why should they invest any time, energy, or money into an unknown and unproven endeavour when the domestic market was so healthy and profitable? Investing in international expansion made no sense to the other members of the Hosoo family, and Masao was forced to give up his dream of international growth at that time.

“That decision,” said Masao as he shook his head, “caused enormous problems later.”

Masao’s father served as president of Hosoo from 1941 until 1994, at which point Masao’s uncle Toshio took over until 2000. Over this period, Japan increasingly adopted a Western lifestyle, and prudent purchasing patterns rebranded the kimono as an unnecessary expense. With these changing trends, Japan’s entire kimono market contracted from its peak of ¥17.2 trillion in 1980 to ¥2.9 trillion (approximately $24 billion)[[8]](#footnote-8) in 2015, a mere 17 per cent of its size only three decades earlier. With the decline, the total volume of dyed silk from Kyoto manufacturers also declined, dropping from more than 16 million pieces in 1971 to less than 420,000 in 2015 (see Exhibit 1). At the same time, sales of Kyoto-based Nishijin woven materials declined from 5.9 million pieces that generated in excess of ¥1.7 trillion in 1981 to 526,000 pieces that generated ¥140 billion (approximately $1.2 billion) in 2015 (see Exhibit 2).

Because of this rapid decline, many businesses across the entire kimono value system, including textile manufacturers, wholesalers, retailers, and spinners, went bankrupt. Masao noted,

At the beginning of the 21st century, we faced a critical business challenge. Either we transitioned to a new approach and business model, or we shut our doors, razed our buildings, and built apartment complexes or coin parking lots to sustain our families into the future. But,” he added with a smile, “I am not comfortable managing parking lots and high-rise apartments.

Masao took over the Hosoo business in 2000, and after spending five years trying to turn around his ailing company, Masao decided in 2005 that it was time to turn his original dreams from college and Milan into realities. “It took more than 20 years of working at Hosoo before I could finally realize the dream that came to me when I was a young man working for Itochu in Milan,” Masao recalled. “But I am convinced it is my life’s purpose to bring the beauty of Japanese textiles to the world.”

**THE SPIRIT OF THE SHOKUNIN**

In Japan, chefs and even the top automotive engineers were called shokunin. Irrespective of their chosen field of work, what shokunin shared was a lifetime commitment to perfecting and evolving their craft. In this never-ending quest for perfection, shokunin forged a passion for experimentation, an open mind to failure, and a spirit of lifetime learning that rivalled and most likely surpassed the innovativeness of any other field of work.

Hiroshi Kanaya was born in Kyoto and knew at a very early age that he wanted to become a shokunin. But, unlike most artisans in Japan who chose their field of work immediately after their compulsory education, Kanaya deferred. After high school, Kanaya was torn between becoming a potter, a chef, or a weaver, but during college, he had been drawn to computer programming and engineering, which, among Kanaya’s choice of crafts, was only extensively utilized by weaving. Weaving relied heavily on computer programming and engineering to operate the looms and program the myriad of inputs into the weaving process. That combination solved Kanaya’s career indecision.

The earliest automated looms were the precursors to modern computers; a series of punched cards were created that were inserted into the looms to guide their weaving. As computing technology developed, the more advanced computing capabilities were integrated into looms.

Before joining Hosoo, Kanaya had worked for 18 years as a member of the production team at the textile company Nagashima Seikei Co. Ltd.; he then branched out into business for himself, ultimately creating software that would be adopted to run almost all of the looms across all of Japan. Through this experience, Kanaya learned most of the original weaving techniques used by weavers in different regions across Japan, using this knowledge to customize the software for the specific requirements of different weaving companies.

After gaining expertise as both a master weaver and a software engineer for weaving companies, Kanaya elected to join the Hosoo team full time in 1993. It was at Hosoo that Kanaya further perfected his craft and capabilities. Kanaya explained his philosophy that success can only be derived from failure:

Every day we ask ourselves how we can improve our technique, and if a customer asks for us to change something or create a special design, look, or texture, we will repeatedly attempt to do this until we succeed. Even if it takes us an enormous number of failures. From my perspective, failures are the road to success. Without failure we cannot succeed, so I welcome failure every day as a necessity for getting where we are hoping to go. Innovation for a shokunin doesn’t come from 180-degree changes in thinking, but instead comes from accumulating knowledge from constant, small changes which mostly fail.[[9]](#footnote-9)

**THE FIRST INTERNATIONAL FAILURE**

In 2005, Kyoto’s Chamber of Commerce and Industry decided to showcase luxury crafts made in Kyoto at the world’s most prestigious “art of living” tradeshow, Maison & Objet in Paris. Planned for the following year, the Chamber of Commerce and Industry called its booth “Kyoto Premium” and invited Hosoo to participate. It took Hosoo an entire year to design products for this tradeshow; and in 2006, the company took specially designed chairs and tapestries to Paris to showcase Nishijin weaving skills for a global audience.

Throughout the entire show, the Hosoo booth was filled with visitors who were visibly excited and taken by the beauty and distinctiveness of the Hosoo textiles. But by end of the show, Masao was shocked to find that even with such high praise, he had received no orders. The one-year investment of time, energy, and passion from Kanaya and his production team, as well as the financial investment Hosoo had made, had not resulted in even a single order.

But the shokunin spirit was to learn from mistakes, and the Hosoo business had not continued for 11 generations because it was easily defeated by failure. Upon his return to Japan, Masao meticulously reviewed the responses that Hosoo had received, and, together with his team, Masao decided that if Hosoo was going to break into the luxury textile market, it needed to first identify the barriers that were impeding its success. Masao thus decided to attend the Maison & Objet event continuously until they could clearly identify and then overcome these barriers.

In 2007 and 2008, Hosoo again displayed its textiles at the event, but rather than going alone, Masao brought Kanaya with him to help discern what was wrong with Hosoo’s approach. Kanaya recounted, “In that first year that I attended, I was so impressed with the other textile manufacturers. The colours that they used were incredible, and the sheer size and scale of their booths made us look very small and insignificant. But as I toured the show floor, I didn’t see any technique or skill that exceeded ours.”

Hosoo again did not receive any orders, not in the second year or in the third. But when Kanaya returned for his second show attendance in 2008, he realized that the only major changes that Hosoo’s biggest competitors were making were related to colours and designs. There were no technical improvements in the actual textiles that were displayed. That single insight gave Kanaya confidence that Hosoo’s traditional Japanese textile skills could compete against, and even exceed the capabilities of, its competitors. “If I had only attended this tradeshow once, I would never have had this insight,” recalled Kanaya.

**THE THREE BARRIERS TO HOSOO’S INNOVATIONS**

Organizational theorist Henry Chesbrough defined innovation as “invention implemented and taken to market.”[[10]](#footnote-10) For Nishijin weaving techniques to be considered true innovations within the context of global textile markets, Hosoo needed to find a true customer base to serve. By the spring of 2009, after attending his third Maison & Objet tradeshow, Masao had identified what he believed were the three fundamental barriers that were impeding Hosoo’s success within the global luxury textile market: uniqueness, price, and fabric width. Masao resolved to address each barrier in order.

**Uniqueness**

Masao explained, “If we did not produce 100 per cent unique fabrics, we definitely could not compete in this industry. But in our many years of attending the Maison & Objet event in Paris, Mr. Kanaya’s research proved to us that our use of haku truly differentiated us and made Hosoo fabrics 100 per cent unique.”

The Nishijin weaving technique used haku woven together with high-tension silk threads to create three-dimensional textiles that were much different than standard woven fabrics. To create these three-dimensional effects, Hosoo used water-soluble glue to bind together silk threads that had been twisted 10 times beyond what was considered normal twisting. When these woven fabrics were then steamed, the glue melted away, and the built-up torque within the highly spun threads was released. This caused the fabrics to pucker and gather in remarkable patterns and shapes, which gave the fabrics a rich and luxurious character. Such distinct fabrics could be used across multiple textile product categories, including clothing, furniture, bags, shoes, and artistic wall hangings.

**Price**

Hosoo’s second barrier to innovation was price. When Masao had participated in Maison & Objet and returned empty-handed year after year, many of his Japanese counterparts told him that he needed to remove at least one zero from the prices of Hosoo’s textiles. The Hosoo team heeded this feedback and worked to revise their production processes in ways that would enable them to significantly lower their production costs, and, accordingly, their prices. But the end results of these cost-saving measures were textiles that looked very similar to those already available in the global market, thus eliminating the uniqueness of Hosoo’s fabrics, which both Masao and Kanaya were convinced was their only way to effectively compete.

Their frustrated attempts led to an epiphany for Masao:

I lived in Milan for many years, and it was there that I fell in love with the Ferrari brand. A Ferrari is very expensive, so expensive that you can buy a house for the same price. But even at that high price, there are many customers who still wish to buy a Ferrari. It was at this point that I decided that we would be the Ferrari of our industry, and our customers were only those within the super luxury market. If it hadn’t been for our failures at Maison & Objet, I would never had gained this insight.

**Fabric Width**

The final barrier to innovation was the width of Nishijin textiles. A conventional loom for weaving Nishijin fabrics was built to produce fabrics that were 32 centimetres (12.5 inches) wide, although this width could be doubled to a maximum of 70 centimetres (25 inches). Thirty-two centimetres was sufficient for weaving obi—the decorative sashes worn with kimonos—and making cushions; however, even Nishijin fabric that was 70 centimetres wide was too narrow for other applications, therefore requiring the fabric to be seamed. Overcoming this barrier not only went beyond the scope of what Hosoo could accomplish as an 11th generation business, but also demanded a change that no other weaver in Japan’s 1,200-year history of weaving had ever considered.

**THE FIRST INTERNATIONAL CUSTOMER**

In 2008, Japan’s Ministry of Economy and Trade (METI) asked Hosoo to participate in a Japanese production design exhibition, WA: The Spirit of Harmony and Japanese Design Today, to be held in Paris. Hosoo was to present its obi belts and cushions as it had done previously at the Maison & Objet shows. The Paris event was such a success that METI invited Hosoo to participate again in 2009, this time in New York City.

During the show in New York, Nancy Maxwell, the director of textiles for one of the world’s most prestigious architectural firms, Peter Marino Architect PLLC, visited the Hosoo booth and immediately fell in love with what she saw. Maxwell emailed Masao soon after the exhibition, but at first, Masao thought the message was a joke: “At first, I didn’t believe that a business chance could come from an exhibition rather than a trade show, and because of this, I initially thought her email was fake. But after confirming that this was a real email from one of the world’s top architectural firms, I immediately bought a ticket to New York City to meet with her.”

After this initial meeting, Maxwell asked Hosoo to create fabrics to confirm that their capabilities matched with her design needs. Within two and a half weeks, Hosoo sent Maxwell the finished samples. In February 2010, soon after receiving the samples, Maxwell gave Hosoo its first international order, requesting approximately 60 metres of fabric. She directed Hosoo to ship the completed work to Shanghai.

“After we received payment for this first order, I asked Ms. Maxwell what they would be using our textiles for in China,” recalled Masao. “She explained that Christian Dior had decided to use our textiles in all of its flagship stores. Shanghai was the first flagship store, and Peter Marino Architect would be ordering Hosoo textiles for the other hundred stores that would open around the world.”

However, as the architectural firm began to work with the fabrics at the widest possible width Hosoo could supply—70 centimetres (27.5 inches)—it began running into design needs that could only be met with fabrics produced at widths of 150 centimetres.[[11]](#footnote-11) While a challenge, this was the impetus that Hosoo and Kanaya had been waiting for: the architect’s need proved that there was a market for Hosoo if only it could innovate a new Nishijin weaving process at this wider format. Masao decided to make the needed investments and redefine the approach to Nishijin weaving. As he looked back on his decision, Masao recalled, “I thought that it was our responsibility to be pioneers.”

The job of creating an oversized loom that could sufficiently create Nishijin textiles was complex, to say the very least. Not only did every part of the loom need to be enlarged or redesigned, but there was also no software available to guide such a wide loom. No one at the time knew whether the silk threads that Nishijin weavers used would provide the same effects when woven at this larger scale, nor whether haku could be used in larger-format weaving. On top of all that, no Nishijin shokunin had any knowledge of or experience with creating high-quality Nishijin textiles at these sizes. Finally, although there were expressions of interest in larger-format Nishijin textiles, there was no proven market for these textiles even if Hosoo succeeded in its efforts.

From the perspective of a shokunin, however, ridiculous did not mean impossible. Both Masao and Kanaya knew that if they could systematically identify the major roadblocks they faced in creating this large-format Nishijin loom, they could create new solutions that would overcome the obstacles. They also were driven by the knowledge that if they could achieve their goals, an even larger global market awaited their success.

To document each of these problems and then solve them, Kanaya created a project team made up of the most experienced Nishijin textile shokunin in Kyoto. They began with designing the new loom; Kanaya invited four loom artisans onto his team to accomplish this task. He recalled, “With countless failures and wrong turns, and after countless trials and errors, we could finally achieve our dream and successfully weave textiles that matched the width requirements of global manufacturers and the quality standards of Nishijin fabrics.”

**THINKING IN VALUE SYSTEMS**

Masataka Hosoo, Masao’s son and the future 12th generation president of the Hosoo business, learned from an early age that the work of a weaving company was built upon the efforts of countless other hands and experts across the entire Nishijin value system. Masataka explained:

When we weave fabrics, we use threads with different textures, colours, and characteristics. And these differences are essential in the weaving process. Our job within this process is to bring all of these elements together into a finished product. There is a Japanese word for this—*kumu*, which means to unite or integrate different elements together. As a weaver, we understand that there are so many steps that come before us that are managed by shokunin and experts in areas that are outside of our own capabilities but are essential for our finished products. Without them, there would be no fabrics, and because we are at the end of this long chain of experts, it is our responsibility to create the finest possible work from what they provide to us and to find new markets and opportunities for these works in order to keep this entire system healthy.

At the heart of Hosoo’s efforts to expand globally was not the pursuit of its own profits, but an attempt to spark a new interest in the beauty of Nishijin textiles, and with this, to ensure a future for the entire industry.

This idea of enhancing the sustainability of a value system ran deeply within Japan’s business culture and history. Masao explained, “Japan is rooted in a rice farming culture rather than a hunting culture, and our ancestors needed to work together as a community to survive.” This type of thinking was also at the heart of Japanese management philosophy and could be seen echoed in the words and actions of many of Japan’s most successful entrepreneurs and industrialists throughout its long history.

For example, as early as the 1600s, the Omi merchants of Shiga Prefecture embraced a philosophy called *sanpo-yoshi*, which roughly translated into English as “three-way goodness.” This philosophy proposed that a truly successful business was one that generated (1) good for the seller, in terms of profits; (2) good for the buyer, in terms of deep satisfaction and appreciation for the product they purchased and the seller who provided it to them; and (3) good for society, in that the interactions between sellers and buyers added value to the overall society within which they both worked and lived. Konosuke Matsushita, the founder of Panasonic Corporation, applied this thinking to the very foundation of his business, which was reflected in its basic management objective: “Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.”[[12]](#footnote-12)

**A NEW KIMONO**

In 2016, to help realize his father’s dream of making Hosoo a truly international company, Masataka began to question the very foundation of what a kimono was and what it meant. In Japanese, the kanji characters for kimono (着物）were a combination of one character that meant “to wear or don” and another character that meant “a thing.” The “who” or “what” that was wearing the kimono was left unstated. Following that line of thinking meant that furniture could wear the kimono, or at least the fabric created for it; so, too, could the interior wall of a building or, of course, a human being.

By broadening the definition of kimono, Masataka broadened the view of how and where Hosoo textiles and fabrics could be applied. For example, in 2017, Masataka collaborated with Panasonic Corporation to design fabric for speakers that responded to human touch, turning on with one touch and turning off with another. He also worked with silk makers to inject jellyfish DNA into silkworms to create bioluminescent fabrics, and in 2018, he began to explore opportunities for textiles to be used for portable housing in Mongolia.

Masataka was optimistic: “The possibilities for our fabrics are endless if we integrate traditional Nishijin weaving techniques with current technologies. For example, by weaving biometric sensors into the fabrics themselves, instead of wearable devices that stand out, we can produce wearable fabrics that are luxurious but also at the cutting edge of technical advancement.”

To ensure that he was working with the latest technical advancements in the world, Masataka was invited to participate in the Director’s Fellows Program at the MIT Media Lab in Boston, Massachusetts, where he worked to integrate cutting-edge sensor technologies with Hosoo’s world-class weaving techniques. Through this relationship, not only was Hosoo able to integrate the latest technologies into its fabrics, it was also able to teach Nishijin weaving techniques to the world’s top technology firms and researchers.

Both father and son agreed that the future of their business, as well as the future of the entire Nishijin weaving industry, rested on the fate of the kimono’s appeal in international markets. Masao shared his thinking:

As the kimono market continues to shrink in Japan and our population ages, the future for our entire industry is grim, unless we can again look outside of Japan. But kimonos are much different than traditional Western clothing, and wearing them requires time, effort, and skill. Just tying the belt is an art form in and of itself. If we are to succeed overseas, we must redefine what kimono means, how it is worn, and why. We must create a modern kimono that appeals to customers globally.

Masataka continued along this same line of thought: “Kimono fabric is beautiful, high quality, and fashionable. How to create a new kimono that retains the essence and unique beauty of this fabric, but also appeals to both male and female customers around the world, is our next major challenge.” Outlining his grand vision for the future of Hosoo, Masataka added:

When we think of the word *maison* in the fashion industry, there are some companies that immediately come to mind for each category. The maison for bags is Hermes. For trunks, it is Louis Vuitton. But if you ask someone who the kimono maison is, they cannot answer. We aim to change this and become the world’s maison for kimono.

Both Masao and Masataka had set their sights on launching their new kimono line for the 2020 Summer Olympics, to be held in Tokyo, but the questions of what this kimono would look like, how it would function, and how it would be introduced, with what story, and in partnership with whom all remained unanswered. Additionally, while wearing a kimono was by tradition complicated—for example, requiring 11 different items to be worn underneath or as adornments (see Exhibit 3)—Masao and Masataka questioned whether these complexities were things to be embraced as part of the kimono’s brand identity or simplified for wider adoption. Fundamentally, the focus of their current challenge was how to weave the answers to these questions into a successful international marketing strategy and compelling value proposition. Both Masao and Masataka were also convinced that the value system of the partners with whom they chose to work held the key to Hosoo’s global success. Their challenge was how to best organize this system for the greatest impact on their new marketing strategy.

As Masao turned back from his office windows on that beautiful spring evening to look again at the plans that lay on his desk, he could not help but wonder if he was feeling what his ancestors had felt when the emperor’s family brought forward a new and unprecedented request for textile innovation hundreds of years ago. The spirit of the shokunin rested on the commitment to constantly work at the limits of their abilities, and the challenge before Hosoo and the entire Nishijin weaving industry placed them squarely in that space. The question was not whether they could rise to the challenge, but instead, what marketing strategy was best to make Hosoo the world’s first kimono maison.

In 2017, the Hosoo business generated in excess of $14 million, and it was both Masao’s and Masataka’s goal to significantly grow the company’s revenues through their international efforts, without jeopardizing the future sustainability of the Hosoo business and its value system. Success held the potential of propelling Hosoo and the entire Nishijin weaving industry into its next 12 generations and more of prosperity. Failure, on the other hand, offered less appealing outcomes.

As Masao sat down at his desk in March 2018 and reviewed the final strategy, he smiled wryly at the thought that no matter what the future held, he definitely would not be razing his manufacturing facilities to build parking lots.

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Exhibit 1: Total Kimono Sales, 1971–2015

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Volume** | **Sales** | **Year** | **Volume** | **Sales** | **Year** | **Volume** | **Sales** | **Year** | **Volume** | **Sales** | **Year** | **Volume** | **Sales** |
| 1971 | 16,524 | 6,053 | 1981 | 6,743 | 17,667 | 1991 | 3,618 | 14,753 | 2001 | 845 | 6,420 | 2011 | 477 | 3,000 |
| 1972 | 16,053 | 8,794 | 1982 | 6,212 | 17,240 | 1992 | 3,143 | 13,927 | 2002 | 847 | 6,310 | 2012 | 446 | 2,960 |
| 1973 | 14,350 | 11,001 | 1983 | 5,467 | 16,500 | 1993 | 2,900 | 12,992 | 2003 | 840 | 6,270 | 2013 | 428 | 3,010 |
| 1974 | 12,642 | 13,398 | 1984 | 5,021 | 15,888 | 1994 | 2,967 | 11,948 | 2004 | 896 | 6,195 | 2014 | 422 | 2,855 |
| 1975 | 11,495 | 14,745 | 1985 | 4,749 | 15,336 | 1995 | 2,507 | 11,240 | 2005 | 830 | 6,100 | 2015 | 413 | 2,895 |
| 1976 | 10,492 | 15,191 | 1986 | 4,466 | 14,738 | 1996 | 2,255 | 10,705 | 2006 | 743 | 5,035 |  |  |  |
| 1977 | 9,527 | 15,790 | 1987 | 4,322 | 14,510 | 1997 | 1,761 | 9,588 | 2007 | 559 | 4,560 |  |  |  |
| 1978 | 8,720 | 16,399 | 1988 | 4,261 | 14,626 | 1998 | 1,398 | 8,753 | 2008 | 618 | 4,065 |  |  |  |
| 1979 | 8,099 | 17,105 | 1989 | 3,916 | 14,933 | 1999 | 1,175 | 7,937 | 2009 | 552 | 3,420 |  |  |  |
| 1980 | 7,228 | 17,724 | 1990 | 3,714 | 14,959 | 2000 | 1,082 | 7,225 | 2010 | 512 | 3,100 |  |  |  |

Note: Sales noted in ¥100 million; volume units noted in thousands; ¥ = JPY = Japanese yen.

Source: “Kimono Industry Annual Report 2016 Edition,” Yano Research Institute Ltd., March 29, 2016, accessed May 13, 2018.

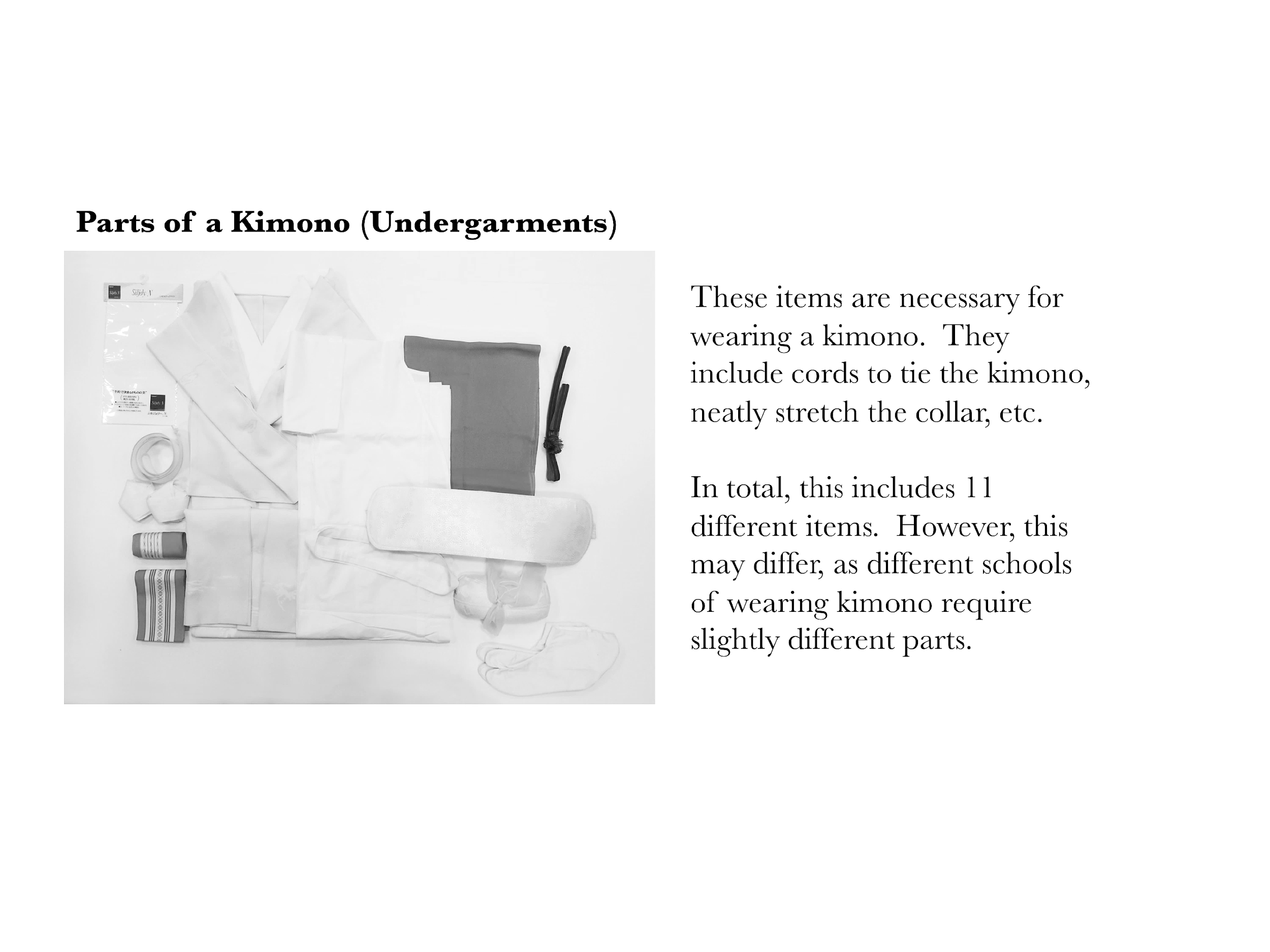
Exhibit 2: Total Nishijin Fabric Sales, 1972–2015

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Volume** | **Sales** | **Year** | **Volume** | **Sales** | **Year** | **Volume** | **Sales** |
| 1972 | 7,804 | 834 | 1993 | 3,820 | 1,096 | 2008 | 884 | 221 |
| 1975 | 7,332 | 1,341 | 1996 | 3,099 | 860 | 2011 | 661 | 148 |
| 1978 | 6,610 | 1,576 | 1999 | 1,620 | 506 | 2013 | 636 | 162 |
| 1981 | 5,954 | 1,706 | 2002 | 1,332 | 319 | 2014 | 600 | 159 |
| 1990 | 4,305 | 1,597 | 2005 | 1,313 | 340 | 2015 | 526 | 140 |

Note: Sales noted in ¥100 million; volume units noted in thousands; ¥ = JPY = Japanese yen.

Source: “Research Report: Production Volume of Kyoto Yuzen Komon 2017 Edition,” Kyoto Yuzen Cooperative Foundation, April 9, 2018, accessed May 13, 2018.

Exhibit 3: Items worn as Part of a Kimono



Source: Company documents.

1. The Japanese word *shokunin* was translated into English simply as “artisan,” but the actual meaning of the word was far broader than its English translation could accommodate. [↑](#footnote-ref-1)
2. Priscilla Frank, “A Brief and Stunning Visual History of the Kimono,” Huffington Post, April 4, 2016, accessed August 1, 2018, www.huffingtonpost.ca/entry/a-brief-and-stunning-visual-history-of-the-kimono\_us\_5702abbce4b0daf53af03e8b. [↑](#footnote-ref-2)
3. “Nishijin-ori Fabric,” Japan Brand, accessed August 1, 2018, https://japan-brand.jnto.go.jp/crafts/textiles/33. [↑](#footnote-ref-3)
4. The Tokugawa shogunate was the feudal Japanese military government between 1600 and 1868. (*Encyclopaedia Britannica*, s.v. “Tokugawa period,” June 5, 2018, accessed August 3, 2018, www.britannica.com/event/Tokugawa-period.) [↑](#footnote-ref-4)
5. Washi was a traditional Japanese paper, made manually from the inner bark of the gampi tree, mitsumata shrub, or mulberry bush. The process, registered as a UNESCO cultural heritage, was intricate and detailed, and typically carried out in winter because it required pure, cold running water. The result was a durable paper that was used in home décor and fabrics, as well as for writing and in books. (“Washi, Craftsmanship of Traditional Japanese Hand-Made Paper,” UNESCO: Intangible Cultural Heritage,” accessed August 1, 2018, https://ich.unesco.org/en/RL/washi-craftsmanship-of-traditional-japanese-hand-made-paper-01001.) [↑](#footnote-ref-5)
6. ¥ = JPY = Japanese yen. ¥1 = on average US$0.004 in 1982. [↑](#footnote-ref-6)
7. All dollar amounts are in U.S. dollars unless otherwise specified. [↑](#footnote-ref-7)
8. Based on yearly average exchange rate of ¥121 = US$1 in 2015. [↑](#footnote-ref-8)
9. This centuries-old approach to innovation was classed as “experimental innovation.” For example, entrepreneur Peter Sims explained that “experimental innovators like Rock, Brin and Page, Bezos and Beethoven don’t analyze new ideas too much too soon, try to hit narrow targets on unknown horizons, or put their hopes into one big bet. Instead of trying to develop elaborate plans to predict the success of their endeavors, they do things to discover what they should do. They have all attained extraordinary success by making a series of little bets.” (Peter Sims, *Little Bets: How Breakthrough Ideas Emerge from Small Discoveries* (New York, NY: Simon and Schuster, 2013), 8.) [↑](#footnote-ref-9)
10. Henry William Chesbrough, *Open Innovation: The New Imperative for Creating and Profiting from Technology* (Boston, MA: Harvard Business Press, 2006), ix. [↑](#footnote-ref-10)
11. While fabrics came in many widths, the industry standard for woven fabrics, and thus the standard anticipated for design needs, was 150 centimetres or 60 inches. (Fabric Committee, International Society of Hospitality Purchasers (ISHP), *Industry Standards and Guidelines*, §.20, accessed August 2, 2018, www.ishp.org/fabric.html.) [↑](#footnote-ref-11)
12. “Our Basic Business Principles,” Panasonic, accessed August 2, 2018, www.panasonic.aero/about-us/konosuke-matsushita/management-principles. [↑](#footnote-ref-12)