

## **Chapter 3**

# **Supporting the SOZAI Project and Guidance to Local Companies**

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### **1. Introduction**

#### **1.1 Background**

Based on the request from the Government of Lao PDR, the Japan External Trade Organization (JETRO) has been assisting quality improvement and export expansion of handicraft products, Lao PDR's promising export field, in association with the Lao Handicraft Association (LHA), and since FY 2001, we have been working on the creation of value-added for handicrafts including Lao silk and support for expanding overseas sales channels. The GIFT project (2015-2017), which was implemented as part of the program, supported development and value-added of products targeting foreign tourists visiting Lao PDR. Traditional crafts from the producer's historical and cultural background are products originally for use as daily necessities in Lao PDR, and some foreigners have found that the ethnic identity of Lao is too strong and there were elements that were difficult to integrate into overseas lifestyles. Therefore, in the GIFT project, the idea was to propose traditional crafts with unique ethnic identity condensed into new products widely accepted by foreigners. As a result, the Lao concept of traditional (luxury and expensive) gifts for wealthy people became recognized as a business opportunity in a new genre called GIFT, which features souvenirs.

In addition, in this project, guidance by an Interior and Lifestyle Producer regarding the elements necessary for selling as a GIFT product, such as a product description and design improvement, message card, description of the product backstory, package, and so on, helped perfect the lineup.<sup>8</sup> That is, from the fixed idea that if the design is improved it will somehow sell, to comprehensive product power including packaging, understanding of world color trends, how to sell including how to stack and how to display, we have moved to the creation of new business values targeting foreigners.

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<sup>8</sup> "Interior Lifestyle Producer" means a producer of the SOZAI Project who has knowledge of product design and marketing.

## 1.2 Outline and meaning of SOZAI Project, purpose of this chapter

As previously mentioned, the GIFT project gave certain results in terms of creating new business opportunities aimed at foreigners. However, it assumed that there is a limit to the traditional craftwork market that the Lao handicraft industry had been aiming for. The traditional craft industry in Japan is in dire straits due to a decline in demand, cheap imports, and a shortage of successors due to changes in lifestyles. Against this background, the traditional craft industry in Japan is moving to approach new markets such as interior and architectural design by selling "materials" and "technology" cultivated through traditional crafts, leading to the development of new sales channels and expansion of new business, rather than selling the final products of traditional crafts.<sup>9</sup> For example, since 2005, in Kyoto's traditional craft industry, the Kyoto Chamber of Commerce along with industry and administrative organizations have been working on "KYOTO CONNECTION" for improving brand value and market development in the lifestyle field of traditional industries in Kyoto, and they are conducting business and exhibiting at the world's top interior and design-related trade fair "Maison et Objet" in Paris, France. Therefore, we decided to aim the Lao handicraft industry at new markets such as interior and architectural design by implementing the "SOZAI Project" based on the case of Japanese traditional craft industry entering new markets by selling "materials" and "technology."<sup>10</sup>

In the SOZAI Project, we hold a contest at the Lao Handicraft Festival organized by LHA every year in October, select a Lao handicraft company that understands the business, and will exhibit their work at the SOZAI exhibition in the 5th Life×Design in the Tokyo International Gift Show (hereinafter "SOZAI exhibition") in Spring 2019. When selecting a company to exhibit at the SOZAI exhibition, we asked an Interior and Lifestyle Producer in the field to provide Lao handicraft companies with semi-annual guidance. In this chapter, we review the changes in comprehension regarding the materials business and the change in attitude of Lao handicraft companies toward the SOZAI Project before and after the Interior and Lifestyle Producer guidance. We investigate the possibility of partnership with Japanese materials companies for the winning Lao handicraft company that exhibited at the SOZAI exhibition, and aim to examine the issues and measures to promote collaboration between the Lao handicraft companies and Japanese partners in the future.

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<sup>9</sup> In this chapter, "material" refers to intermediate goods (panels) to be used for interior or architecture making use of traditional craft techniques.

<sup>10</sup> "SOZAI" means raw materials.

### 1.3 Study method

We accompanied the Interior and Lifestyle Producer and observed the guidance situation in the Lao handicraft companies. We examine changes before and after instruction among 10 Lao Handicraft Festival contest winners that went on to receive guidance from the Interior and Lifestyle Producer, that is eight SOZAI winners and two special winners. Specifically, we focus on what kind of influence the Interior and Lifestyle Producer had on the target companies’ entry to the SOZAI contest. In addition, based on the result of the questionnaire survey at SOZAI exhibition site, we examine issues and actions of each company with reference to the Interior and Lifestyle Producer’s guidance regarding the possibility of the 10 companies partnered with Japanese companies.

### 1.4 Structure

In section 2, we will touch on the guidance conducted by the Interior and Lifestyle Producer before the SOZAI contest. Specifically, to clarify changes due to such guidance, we separate the enterprises that received guidance and received a prize in the SOZAI contest, and companies that received guidance but did not win. In section 3, we will refer to the outline and results of the SOZAI contest, and we will also discuss the factors for companies that did not receive guidance before the material contest. Section 4 describes the guidance after the SOZAI contest and the outline of the SOZAI exhibition, and in the next section, we will refer to the SOZAI exhibit results. Finally, we would like to discuss the future of the Lao handicraft industry based on the results of the SOZAI exhibition (Table 1).

**Table 1 Background of the SOZAI project**

Period	Contents
September to October 2018	First round of the Interior and Lifestyle Producer dispatch
October to November 2018	First round of the Interior and Lifestyle Producer dispatch Lao Handicraft Festival SOZAI contest
December 2018	Third round of the Interior and Lifestyle Producer dispatch
February 2019	Tokyo International Gift Show Spring 2019 The 5th LIFE × DESIGN, SOZAI exhibition

Source: Created by author based on SOZAI Project related materials.

## 2. Guidance before the SOZAI Contest

### 2.1 Overview

The Interior and Lifestyle Producer traveled to Lao PDR in September 2018 and conducted the first round of guidance. First, we ran a workshop to increase the value-added of products for LHA members (product development through collaboration with Japanese traditional crafting enterprises, etc. In particular, development of new markets making full use of "materials" and "technologies" with the possibility of cooperation on entry to new fields), and after outlining the concept of material business, we selected nine promising companies from among LHA member companies (Table 2). In the guidance, we asked each Lao company to produce a set of four 30cm×2 panels of their interior materials for the SOZAI contest held in October 2018. For the production, we gave guidance on selection of raw materials such as cotton, silk, bamboo, rattan, presentation of design pattern, material combinations, proposals on how to use from the user's point of view, adjustment in consideration of market needs, pricing, and so on.

Here, to clarify changes due to the guidance of the Interior and Lifestyle Producer, we separate the enterprises that received guidance and won a prize in the SOZAI contest, and companies that received guidance but did not win.

**Table 2 Companies receiving first round of guidance**

Company name	Industry type	Prize won
Company A	Metal Work	lost
Her Works (3)	Textiles	won
Kheuamai Handicraft (5)	Textiles	won
Khaisy Handicraft (9)	Textiles	won
Lao Disabled Women Development Center (2)	Non-timber forest products	won
Magic Lao Carpets Handicraft (1)	Textiles	won
Company B	Textiles	lost
Company C	Textiles	lost
Phakaned Handicraft (8)	Textiles	won

Note: The numbers in parentheses refer to the rank order of prizewinning works on Figure 1.  
 Source: Created by the author based on the record of the first round of Interior and Lifestyle Producer dispatch and the results of the SOZAI contest.

## **2.2 Guidance content (SOZAI contestant companies)**

### *2.2.1. Her Works (Figure 1, Submitted Works No. 3)*

This company manufactures and sells handicraft products using the ethnic minority identity of Lao. They have participated in the GIFT project and they also did well in the GIFT contest with their GIFT product concepts. The Interior and Lifestyle Producer found that the owner is one of the best product planners in the Lao handicraft industry and proposes to target markets other than the traditional handicraft market, in which the company will still maintain its work. Specifically, the Interior and Lifestyle Producer are interested in the simplicity and patterning of the panels from the viewpoint of using them in interior design. However, he decided to leave the design production of the basic material panel to independent planning.

### *2.2.2 Kheuamai Handicraft (Figure 1, Submitted Works No. 5)*

The company produces interior products, GIFT products, clothing, and other carefully stitched products using raw materials that can be procured domestically, such as hand-woven Lao silk and cotton. They have been participating in JETRO projects for 10 years. In the last GIFT project, they also gained a high level of understanding of the Interior and Lifestyle Producer guidance and design ability, achieving first place in the contest. They also gained a general understanding of material business, which is a new enterprise for the company, through the workshop with the Interior and Lifestyle Producer. Therefore, the point of guidance was how to feature the characteristics of the company in the design of material panels. The Interior and Lifestyle Producer proposed maintaining the characteristics of the company while keeping price down with a panel that combines a traditional ethnic pattern and a plain pattern so that the company is characterized by a combination of ethnic minority cottons.

### *2.2.3 Khaisy Handicraft (Figure 1, Submitted Works No. 9)*

The company has a wide range of textiles, from traditional patterns of Sam Neua City in Houaphan Provinces in northern Laos to modern motifs. It has been supplying products to the domestic market since its establishment in 2003, but it has recently been active in exploring overseas markets such as shawls for Australia and obi for Japan. It also won third place in the GIFT contest and continues to work on JETRO projects. It was advised to make high-quality material panels with original patterns. However, the cost of using the pattern all over would have made the panel too expensive, so it was used only on part of the panel.

#### 2.2.4 Lao Disabled Women Development Center (Figure 1, Submitted Works No. 2)

The facility was established by the Lao government and is operated by disabled women. As a means of supporting their independence, they produce handicraft products from recycled newspaper. They also participated in the last GIFT project. They had not understood the concept of material business, so the Interior and Lifestyle Producer explained the concept again. Over several guidance sessions, the Interior and Lifestyle Producer saw difficulty in making complicated material panels, as the facility is aimed at vocational training. The expert suggested the production of 30cm × 30cm panels based on current products (coasters and pots). At that time, they produced a panel of materials with a pattern that is easy to create (a familiar one), which led to an order. It is also worth mentioning that panels such as this group's are hardly seen in Japan and are rather unusual.

#### 2.2.5 Magic Lao Carpets Handicraft (Figure 1, Submitted Works No. 1)

This company commercializes silk fashion accessories (such as scarves) as well as developing mainly hand-woven silk carpets. The owner has also served as Vice Chairman of the LHA and actively participated in the GIFT project. Although the concept of material business was understood, there was a lack of clarity about which material should be used to produce the panel, so the Interior and Lifestyle Producer suggested using the company's unique silk Organdie. At that time, we suggested they prepare two patterns to display to buyers -- a panel using four types of white silk Organdie, and two patterns of panels using a combination of white and colored silk Organdie -- so that buyers could more easily imagine a variety of applications. In addition, the Interior and Lifestyle Producer suggested a partitioned panel imparting a three-dimensional feel to make full use of the characteristics of the Organdie.

#### 2.2.6 Phakaned Handicraft (Figure 1, Submitted Works No. 8)

Lao women's specialist handmade silk weavers, sister brand to the Phaeng Mai Gallery. They have extensive experience in product development and are continuing to participate in previous projects. In the combination of the material panels, after examining the coloring and pattern combination, the Interior and Lifestyle Producer advised that one item was lacking originality and that a different material should be used. Specifically, the combination of cloth and bamboo was too much for an interior wall material and the color should be toned down. The Interior and Lifestyle Producer also proposed cost cutting measures such as using artificial fiber instead of cloth in the future to cut costs and two-tier pricing system.

## **2.3 Guidance content (Non-SOZAI contest prizewinning companies)**

### *2.3.1 Company A*

A classic Lao precious metal import/processing manufacturing company. This company produces fine carved ornaments making use of handicraft skills in Lao PDR. They have participated in JETRO projects for more than 10 years and won a special prize at the GIFT contest, the Japan Ambassador's Award. The company showed a positive attitude toward material business, with the company designer explaining a design proposal of material panels expressing one story over four panels using silk, bamboo, aluminum, pearl, silver, and so on, but the Interior and Lifestyle Producer said that using a story limits the possibilities for interior materials and indicated that an abstract design is more appropriate. In addition, he suggested using silver materials for accents in combination with different materials (bamboo, rattan, silk, etc.), because the silver procured by the company cannot fit within the price range as an interior material. He also indicated that the material panel should be matched to the image of where it is to be used. As the company's material panel uses silver and is in a relatively high price zone, the Interior and Lifestyle Producer suggested using it in modern cafes and luxury hotel receptions.

### *2.3.2 Company B*

The company makes handmade products from cotton, silk, rattan, bamboo, and so on, and has participated in JETRO projects for many years. Although they understand the SOZAI Project, the Interior and Lifestyle Producer proposed a material panel using a collage (combination) making use of indigo dyed paper cloth, for which he believe market needs are high, because they were not able to judge which material was suitable for the interior panel.

### *2.3.3 Company C*

This company is developing handmade silk fabric mainly for export. Run by a couple as a sister brand. Experienced veteran operators that have product planning skills and also excellent results in the GIFT contest. From multiple proposals of a combination of color and pattern for the SOZAI contest, the Interior and Lifestyle Producer decided that silk organza cloth was suitable as an interior material and proposed a silk organdie cloth panel. He also suggested using a thick frame to make a space between the material and the background, and also discussed the clever use of the features of silk organdie.

## 2.4 Summary

In the previous section, we outlined the guidance we gave to various companies that won prizes in the SOZAI contest under the guidance of the Interior and Lifestyle Producer and companies that received guidance but did not win. The main difference between them seemed to be the difference in the degree of comprehension that the material panels are products intended for the interiors market. Panels from companies that do not understand that they are interior materials have a common feature that elements are mixed, and that the identity of Lao comes to the fore and does not match with modern life. For example, Company C did not understand and was confused about certain elements of their mixed-material panels. However, the winning companies at the SOZAI contest followed the Interior and Lifestyle Producer's guidance to create a simple panel that is modern and easy to use as an interior, whether plain or finished.

## 3. Overview and Results of the SOZAI Contest

### 3.1 Overview

The Lao Handicraft Festival (sponsored by the Lao ITECC Exhibition Center) was held in Vientiane (Lao ITECC Exhibition Center) for one week from Saturday October 27th to Sunday November 4th LHA); the SOZAI contest was implemented as the first step for the Lao handicraft industry to enter new markets such as interior and architectural design. At the festival, with the aim of promoting the handicraft industry in Lao PRD including textiles, many domestic -- and a few foreign -- companies and government organizations set up, and various Lao traditional craft items were exhibited. Many of these were companies working with silk to produce traditional garments such as *Sinh*.<sup>11</sup> . Through the SOZAI contest, we will create opportunities for participating businesses to improve their willingness to cultivate sales channels in new markets, and at the same time, by setting up and exhibiting in special booths at SOZAI contests, we also aim for educational activities for other handicraft companies.

### 3.2 Examination criteria/judges

The judging was conducted by a panel of six members who were acquainted with the interior market, which was the target of this contest exhibitor, not by persons related to conventional handicrafts. Before the contest started, the concept of the SOZAI contest

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<sup>11</sup> *Sinh*: A woman's wrap skirt, a traditional folk costume of Lao.



was explained to each judge by the Interior and Lifestyle Producer, and each work was evaluated as interior design. Each judge has 20 points to award, evaluating each work on a five-point scale: A = very good (4 points), B = good (3 points), C = average (2 points), D = somewhat inferior (1 point), E = inappropriate (0 points). Ultimately, eight companies were selected as winners, and the Minister of Commerce and Industry in Lao PDR Award and the Japanese Ambassador's Award went to a further two, making a total of 10 companies at the SOZAI exhibition (Table 3 and Table 4).

**Table 3 List of judges**

	Name / Position	Affiliation
1	Ministry of Industry and Commerce	Ministry of Industry and Commerce in Lao PDR
2	Ms. Vidaly Chanthaphasouk Phasouk Group, Architecture Association	Architect
3	Mr. Thanouson Vongpaseuth Interior designer	Interior designer
4	Mr. Praseuth Banchongphakdy BlueGrass Design Group	Advertising agency
5	Mr. Thatsnachone Bounthanh Xang Lao Engineering Consultant	Building consultant
6	Mr. Jun-ya Kitagawara Interior and lifestyle producer	Interior / Lifestyle producer

Source: Created by the author based on the SOZAI contest opening procedure.

**Table 4 Examination criteria**

	Review item	Very good	Good	Average	Slightly inferior	Inappropriate
1	Is the panel in a set of four, 30 cm x 30 cm?	A	/			E
2	Is there technology and quality?	A	B	C	D	E
3	Is there originality different from others?	A	B	C	D	E
4	Is the balance of the four designs good?	A	B	C	D	E
5	Is the panel easy to use as interior material?	A	B	C	D	E

Source: Created by the author based on the SOZAI contest opening procedure.

### **3.3 Results of the review**

The results of the review are as shown in Figure 1. In first place, Magic Lao Carpets Handicraft, highly valued for the originality, quality, and design of the material. In second place, the Lao Disabled Women's Development Center due to high expectations in the Japanese market thanks to the originality of the panel, the excellent design, and the characteristics of the materials using old newspaper. In third place, Her Works for a panel that is superior in design balance and originality, and it is highly recognized that we can expect the development of sales channels by proposing various composition plans for the SOZAI exhibition using the same panel. In fourth place, Ban Viengkeo Textile Handicraft for a finished panel that is easy to use in modern interior scenes by decomposing and reconstructing the conventional Lao textile motif. In fifth place, Kheuamai Handicraft. In sixth place, Ban Phonemy Textile Handicraft. While it was evaluated that they conform to the concept as an interior material, it was pointed out that they need to develop design and color variations for the SOZAI exhibition. In eighth place, Phakaned Handicrafts, ranked highly for originality utilizing natural materials, but problematic as interior materials as the elements that make up the design are confused, and it is difficult to use.

## **4. Interior and Lifestyle Producer Guidance for Displaying at the SOZAI Exhibition**

### **4.1 Overview**


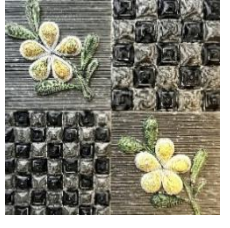
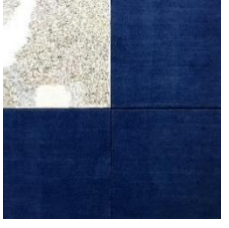

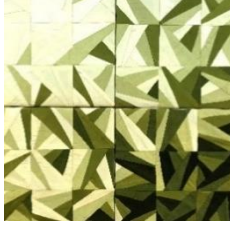


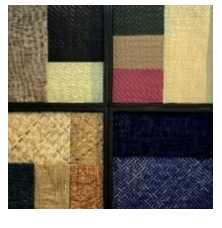

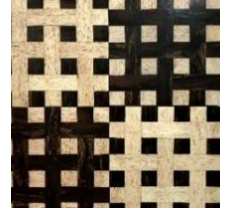
In December 2018, after the SOZAI contest, an exhibition of finished product material panels from the 10 winning companies was scheduled. We discussed how to raise quality to the level where the material of the Lao company can be accepted for business with Japanese companies with each company, displaying actual SOZAI exhibition panels as an example. In addition to exhibiting works from the SOZAI contest, we also asked the exhibitors to create a new design material panel for at least one SOZAI exhibition with the aim of variation so as to meet the needs of Japanese companies.

### **4.2 Guidance contents**

#### *4.2.1 Magic Lao Carpets Handicraft (Figure 1, Submitted Works No. 1)*

Panels of Silk Organdie exhibited in the SOZAI contest were judged to draw interest from Japanese companies in terms of originality and design. However, because the finish on the side surface of the material panel was rough, the Interior and Lifestyle Producer

**Figure 1 Prize-Winning Works**

No. 1: Magic Lao Carpets Handicraft	No. 2: Lao Disabled Women’s Development Center	No. 3: Her Works	No. 4: Ban Viengkeo Textile Handicraft
			
No. 5: Kheuamai Handicraft	No. 6: Ban Phonemy Textile Handicraft	No. 7: Chintana Handicraft Shop	No. 8: Phakaned Handicraft
			
No. 9: Minister's Prize: Khaisy Handicraft	No. 10: Ambassador's Prize: SMP Wood Craft		
			

Source: Created by the author based on the results of the SOZAI contest.

instructed them to finish the panel so that the material covers the side. For additional contrasting panels to be produced, we proposed using non-transparent material to contrast with the sheer fabric. In addition, for business talks with Japanese companies at the exhibition, we proposed setting three price ranges between 1,000 yen and 7,000 yen, (around LAK 77,000 – 54,000) increasing material variations, and allowing choices according to designers’ and buyers’ budgets. In this case, price was fixed not only per set of material panels but also per panel to be able to respond to buyers’ requests.

#### 4.2.2 Lao Disabled Women’s Development Center (Figure 1, Submitted Works No. 2)

The panels using old newspapers were judged to be highly original, and the Interior and

Lifestyle Producer can expect many inquiries at the exhibition. However, with regard to the basic component of the contest exhibition panel, it was pointed out that it cannot be used as a wall material because warping is observed. He proposed a method of attaching it to a wooden frame or adhering newspaper directly on a board. Regarding the new design panel, there were several proposals from the company, and they were asked to produce a panel of geometric patterns that are familiar as interior materials. Due to the large number of panel designs, he suggested that in addition to the newly exhibited works, offering a combination as buyers prefer by preparing an additional 10 panels as stock and increasing variations. In addition, we instructed them to prepare for business talks with Japanese companies at the exhibition regarding delivery date, FOB price, and lot price.

#### 4.2.3 *Her Works (Figure 1, Submitted Works No. 3)*

The contest exhibition panel has been finished with a balance of excellent design, originality, and minority ethnicity, so the Interior and Lifestyle Producer can expect the development of sales channels in Japan. For the SOZAI exhibition, he proposed four panels, three in a solid color and one with a pattern and instructed Her Works to increase variations by preparing multiple panel patterns. He also suggested three product price ranges between 1,000 yen and 7,000 yen (around LAK 77,000 – 54,000) to increase the number of choices for designers. In addition, he introduced a method of designing according to price, and designing differentiated by complexity.

#### 4.2.4 *Ban Viengkeo Textile Handicraft (Figure 1, Submitted Works No. 4)*

The panel for the SOZAI contest was evaluated as being interior-oriented because the balance and composition of Lao originality with modernity are excellent, and it is designed to be widely accepted. Furthermore, it is suggested that by rendering part of the panel a solid color, the Lao ethnicity is softened and its scope as an interior product increases. There were multiple design proposals for the panel for the SOZAI exhibition from this company, but as one of them is a combination-pattern panel, the Interior and Lifestyle Producer proposed displaying a plain-pattern combination. In addition, it was pointed out that it is possible to address the buyer's needs on the spot by bringing in a different color/pattern on the display panel and stocking the fabric.

#### 4.2.5 *Kheuamai Handicraft (Figure 1, Submitted Works No. 5)*

Both the SOZAI contest exhibition panel and the newly proposed design panel are judged to be finished panels with originality. In preparation for receiving requests for different

patterns from the buyer/designer at the time of the exhibition, the Interior and Lifestyle Producer propose bringing fabric with different patterns and color variations other than the display panel. However, it is necessary to set a price range for three variations and prepare a design for each price range. The price has already been set since the product was completed in the past, but it seems that price could be controlled by deciding the price range first.

#### 4.2.6 *Ban Phonemy Textile Handicraft (Figure 1, Submitted Works No. 6)*

The contest exhibition panel received high marks for its modern design as well as Lao originality. Designed to convey the identity of Lao as it is tailored to the target market, the idea of selectively combining designs featuring Lao motifs and patterns was suggested. For foreigners, it was suggested that the Lao motif identity should be left out to make it suitable as an interior material. The Interior and Lifestyle Producer instructed them to prepare various ideas for a new panel for the SOZAI exhibition, using several Lao motif panels. In addition, it was also suggested that three price ranges should be prepared.

#### 4.2.7 *Chintana Handicraft Shop (Figure 1, Submitted Works No. 7)*

This is a retail and wholesale company that was established in July 2008. It makes products using raw materials procured from Lao PDR and overseas, and the main products are traditional wrap skirts (sinh) made from silk and cotton, shawls, table cloths, and so on. In addition to the Lao domestic market, they also export. Since this company had not received any guidance before the SOZAI contest, the Interior and Lifestyle Producer briefly explained the SOZAI Project and concepts aiming at new markets such as interior and architecture. As the cut surface of the bamboo was not processed in the contest exhibition panel, he highlighted the necessity of measures such as concealing within the frame. For the exhibition, he also instructed them to prepare a table of price, delivery date, and lot number to respond to customer questions.

#### 4.2.8 *Phakaned Handicraft (Figure 1, Submitted Works No. 8)*

The contest exhibition piece had material peeling off from the plastic base, the Interior and Lifestyle Producer proposed changing it to one that was easy to paste. He also mentioned the need to organize elements, such as composing plain panels, or four panels of the same design, and so on.

#### 4.2.9 *Khaisy Handicraft (Figure 1, Submitted Works No. 9)*

Since the contest exhibition work was a combination that emulates decoration, the Interior and Lifestyle Producer proposed holding stock other than exhibition panels and instructed the customer to create new combinations, to propose as interior materials. For the new panel design proposed by the company, he suggested not combining panels with patterns, but combining plain objects. At that time, he proposed setting three price ranges allowing buyers to make price variations.

#### 4.2.10 *SMP Wood Craft (Figure 1, Submitted Works No. 10)*

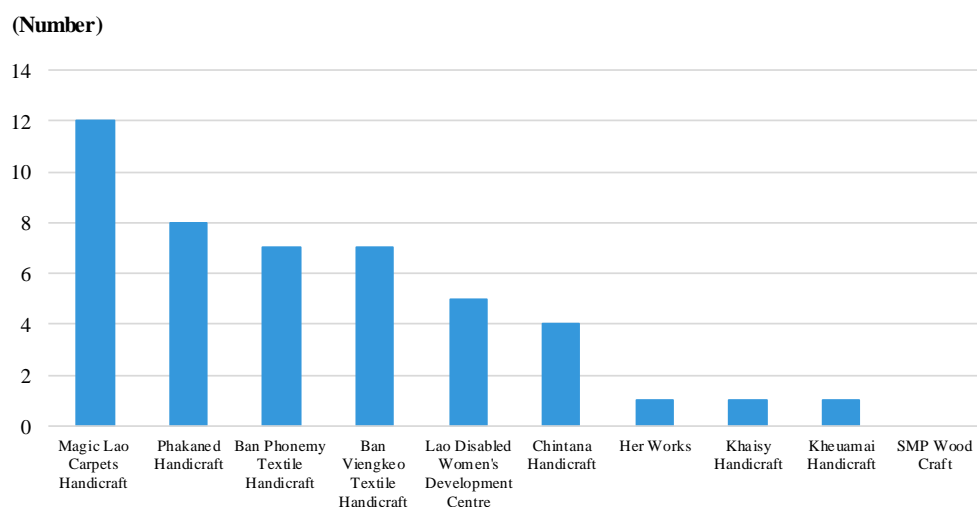
Panels exhibited in the contest were not dry enough, to the point that they were damaged after the contest ended, so the Interior and Lifestyle Producer instructed them to increase the dryness to 7%, which is the degree of dryness that is acceptable in Japan. In addition, contest works were superior in terms of design but lacking originality, so he mentioned the necessity of submitting a material panel with its own originality. As a way of expressing originality, he proposed bringing wood sample chips of native Lao timber.

## **5. Results of SOZAI Exhibition**

### **5.1 Outline of SOZAI exhibition**

The SOZAI exhibition was a special project booth at the 5th LIFE × DESIGN exhibition at the Tokyo International Gift Show Spring 2019. In the traditional craft industry in Japan, there are still materials for many products that can be sent abroad as is without commercialization, which are expected to revitalize the renovation market and living environment in accommodation facility investment due to an increase in second-hand condominiums and vacant houses and an increase in tourists visiting Japan. Therefore, not only materials that are unique to Japan can be used as materials for product development, but this is also an opportunity to open up sales channels for such materials. The aim is to make use of technologies developed through traditional Japanese wisdom and experience, leading to new marketing opportunities for exhibitors by proposing and disseminating versatile materials for various uses such as building, design, or fashion. The exhibition was held at Tokyo Big Sight from February 12th to 15th 2019. Ten winning companies from the SOZAI contest exhibited at the booth throughout the entire session, of which eight companies actually traveled to Japan.

**Figure 1 Number of business talks at each company**



Source: Created by the author based on the number of business talks at the Gift show.

## 5.2 Outline of SOZAI exhibition results

We visited the Lao company booth during the SOZAI exhibition, and according to surveys conducted on companies that have concluded business talks with Lao enterprises, 46 business talks were held during the entire session, with a great divergence in the number of business talks per company (Figure 2). There was a tendency for a large number of business talks with manufacturers/retailers of furniture and interiors as a whole and manufacturers and retailers dealing in small items/miscellaneous goods, while diverse Japanese firms visited the Lao industry booth, which also attracted attention from interior-related companies, house builders, interior decorators, and designers who are also the targets of the SOZAI Project. There were also business talks with companies from the textile and fabric industry that had been interested in Lao enterprises and trading craft items, who recognized the possibility of both traditional and new markets for Lao companies. On the other hand, as previously stated, since there was a divergence in the number of business talks at each company, we would like to analyze the factors below by classifying them into the top four groups and the bottom six companies by number of business talks.

### **5.3 Matching potential of 10 Lao companies and Japanese companies**

#### *5.3.1 Top four companies by number of business talks*

In descending order, the top four companies were Magic Lao Carpets Handicraft, Phakaned Handicraft, Ban Phonemy Textile Handicraft, and Ban Viengkeo Textile Handicraft. First, regarding Magic Lao Carpets Handicraft, which was ranked first in the SOZAI contest, in addition to customers in traditional markets such as "Miscellaneous goods/Accessories" and "Textiles/Fibers," "Furniture/Interiors," there was also attention from companies in new markets such as "House building/Interior decoration, and so on. (Table 5)" For example, a long-established store maker and (Japanese) *Kimono* retailer *Nishijin Ori* showed interest in product development using its own Silk Organdie, provided samples, and started negotiations on possible partnerships. In addition, major house builders and furniture and interior dealers showed interest in interior goods and entered into business talks on prices and variations. In both cases, they were interested in the company's original fabrics, and it can be inferred that the number of business talks was high due to their high quality. In addition, the company owners can communicate with visitors in English and also have abundant experience of exporting. Phakaned Handicraft gathered interest in its woven fabrics using natural materials such as bamboo and rattan from retail stores and manufacturers of "Furniture/Interiors," and "Miscellaneous Goods/Accessories." One of the business talk partners, a long-established maker of traditional Kyoto hand fans, identified the possibility of developing a fan case using the company's material and received a sample of bamboo weave. Ban Phonemy Textile Handicraft's bamboo weave technology attracted interest from a long-established bamboo manufacturing and selling company in Kyoto, receiving an inquiry about the company's natural stain bamboo weave, as did Phakaned Handicraft. The company is interested in dyeing technology not found in Japan and is exploring possibility of collaborative product development of interior goods material in subsequent business talks. Ban Viengkeo Textile Handicraft was consulted by a manufacturer of "Miscellaneous goods/Accessories" on joint development of handbags and cushion covers using the company's indigo dye fabric, and was provided with indigo dye samples, focusing attention on unique indigo dyeing that is not found in Japan.

#### *5.3.2 Number of business talks with bottom six companies*

The bottom six companies by number of business talks were Chintana Handicraft, Lao Disabled Women's Development Center, Her Works, Khaisy Handicraft, Kheuamai



**Table 5 Industries of the business talk partners of the top four companies**

	Magic Lao Carpets Handicraft	Phakaned Handicraft	Ban Phonemy Textile Handicraft	Ban Viengkeo Textile Handicraft	<b>Grand total</b>
<b>Retail</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>11</b>
Fashion/Beauty	1				1
Furniture/Interiors		1			1
Goods/Accessories	4		1	2	7
Bamboo products			1		1
Japanese kimono and accessories	1				1
<b>Wholesale</b>	<b>2</b>		<b>2</b>	<b>2</b>	<b>6</b>
Stationery				1	1
Furniture/Interior			1		1
Goods/Accessories			1		1
Textiles/Fibers	2			1	3
<b>Manufacturers</b>	<b>2</b>	<b>4</b>	<b>1</b>		<b>7</b>
Furniture/Interior	1	1	1		3
Textiles/Fibers		1			1
Traditional crafts in general		1			1
Japanese kimonos and accessories		1			1
House building/Interior decoration, and so on	1				1
<b>Retail store maker</b>	<b>1</b>			<b>3</b>	<b>4</b>
Furniture/Interior				1	1
Goods/Accessories	1			1	2
Traditional crafts in general				1	1
<b>Mass retail store</b>	<b>1</b>		<b>1</b>		<b>2</b>
Furniture/Interior	1				1
Goods/Accessories			1		1
<b>Designer</b>		<b>1</b>			<b>1</b>
Designer		1			1
<b>Trading company</b>		<b>1</b>			<b>1</b>
Textiles/Fibers		1			1
<b>Media</b>			<b>1</b>		<b>1</b>
Furniture/Interiors			1		1
<b>Other</b>		<b>1</b>			<b>1</b>
Other		1			1
<b>Grand total</b>	<b>12</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>34</b>

Source: Created by the author based on the result of counting the number of business talks at the Gift show.

**Table 6 Industry of the business talk partner of the lower six companies**

	Chintana Handicraft	Lao Disabled Women's Development Center	Her Works	Khaisy Handicraft	Kheuamai Handicraft	Grand total
<b>Maker</b>	<b>3</b>					<b>3</b>
Furniture/Interior	2					2
Japanese kimonos and accessories	1					1
<b>Trading company</b>			<b>1</b>		<b>1</b>	<b>2</b>
Textiles/Fibers			1		1	2
<b>Retail store</b>		<b>1</b>				<b>1</b>
Goods/Accessories		1				1
<b>Wholesale</b>		<b>1</b>				<b>1</b>
Furniture/Interior		1				1
<b>Designer</b>	<b>1</b>					<b>1</b>
Individual designer	1					1
<b>Media</b>		<b>1</b>				<b>1</b>
Furniture/Interior		1				1
<b>Other</b>		<b>1</b>		<b>1</b>		<b>2</b>
Other		1		1		2
<b>Grand total</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>11</b>

Note: SMP Wood Craft is not listed because it had no business talks.

Source: Created by the author based on the number of business talks at the Gift show.

Handicraft, and SMP Wood Craft. Chintana Handicraft and the manufacturer of "Japanese Kimonos and Accessories," showed interest in bamboo weaving materials as a new material to use for the folding screen of *Hina* dolls adapted to the modern lifestyle (Table 6). First, they decided to offer materials and samples, and explore the possibility of collaboration while negotiating the price, and so on. Regarding the Lao Disabled Women's Development Center, retailers and wholesalers of "Furniture/Interiors" and "Miscellaneous goods/Accessories" were interested in original products from waste paper. Because the person in charge did not visit Japan, they will contact the visiting company via e-mail, and will aim at collaborative product development to obtain product orders. Many enterprises interested in material panels visited the booths of Her Works, Khaisy Handicraft, Kheuamai Handicraft, and SMP Wood Craft, but no visits resulted in concrete business talks.

### 5.3.3 Summary

The previous section discussed the top four and the bottom six companies by number of business talks. The characteristics of companies with a large number of business talks are

that the material has Lao ethnic originality and that booth participants can communicate in English or Japanese and are motivated to collaborate in new markets. These companies deal in high-quality products with materials that are not found in Japan, and they were able to successfully convey their "story" such as organic, natural dyeing, and characteristic patterns of ethnic minorities. On the other hand, for companies that had fewer business talks, factors seem to be that the material being handled did not match the market assumed by the visiting company, or that the person in charge was absent or was away from the booth. For example, Khaisy Handicraft is characterized by high-quality fabrics, even in Lao PDR, so that it is in a high price zone and so out of the running as a SOZAI entrant. However, it is high quality, so their high prices are acceptable for the Japanese traditional/kimono market. There was nobody to talk to at the booths of the Lao Disabled Women's Development Center, Her Works, or Kheuamai Handicraft, so they were unable to communicate attractiveness to visitors who were interested in the material and so missed their business opportunities. SMP Wood Craft had problems in terms of original processing and storage technology, such as degradation in quality when shipping from Lao PDR to Japan. For example, the Interior and Lifestyle Producer had pointed out the dryness of wood, and as a result, it could not withstand the Japanese climate. However, both issues were discovered only during the exhibition, and the Lao side should make use of this experience to clarify the market that they ought to aim for.

## **6. Summary**

In this SOZAI Project, rather than selling the final products of traditional crafts, the purpose is to sell "materials" and "technology" cultivated through traditional crafts and to approach new markets using guidance from the Interior and Lifestyle Producer and displays at the SOZAI exhibition. As a result, it is quite different from past exhibitions of Lao products, garnering many encounters with industries with whom they have not previously had contact. Lao enterprises also obtained the possibility of developing new product sales channels in new markets. The experience was a major achievement that will lead to the expansion of the market for Lao products. In addition, it was an opportunity to obtain great results for the Government of Lao PDR and LHA, which had been trying to expand sales channels for their products. Meanwhile, many issues were identified for Lao enterprises. Regardless of the number of business talks, companies are not maintaining production management, pricing, construction of export systems, order entry mechanisms, payment settlement, or customer service desks in Japan. This is largely due

to the idea that each enterprise has to expand business internationally by itself, but we believe that the Lao government and LHA should take the initiative in supporting this. The Government of Lao PDR and the LHA can acquire know-how regarding the SOZAI Project, capitalize on the information and experience gained at the SOZAI exhibition, and gain new business opportunities. Although we are fully aware of the opportunity for partnership between Lao and Japanese companies in this project, future market expansion depends on leadership by the Lao government.