

Olympic sponsorship: Japan Inc pressed into national service

Domestic deals raise a record \$3bn but behind the scenes lies a tale of obligatory patriotism

Leo Lewis, Robin Harding and Kana Inagaki in Tokyo AUGUST 15 2019

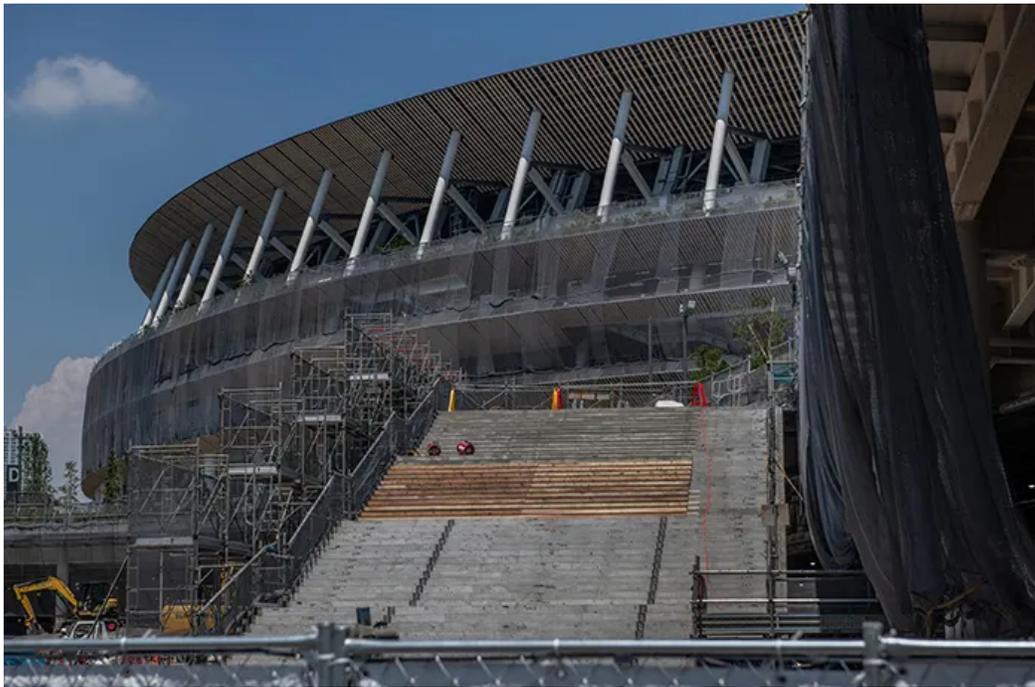
Japan proudly revealed in June that it had completely shattered an Olympic record: Tokyo would, in a year's time, be hosting the most [heavily sponsored event](#) in sports history. The \$3.1bn raised just from Japanese companies was, by any standards, jaw-dropping. But the background to the funding round for the 2020 Games — a campaign that monetised patriotism, exposed corporate Japan's naivety, say marketing experts, and exploited what companies have always claimed was a core philosophy — is even more extraordinary.

The campaign's eye-catching success is reverberating across the world of marketing. But not all are celebrating.

“In hard, practical terms, I am getting nothing,” says a top executive of a major [Japanese](#) company which paid around \$100m to become one of the 15 domestic “gold” sponsors that include Canon, Mizuho and Nomura. The money, a massive chunk of his company's marketing budget over several years, does not even secure him enough seats at the 17-day event for serious client entertainment. Any billboard advertising he wants to place at the venues will cost extra.

“What do I really get other than the right to have a small Olympic symbol under my company's logo?” he asks. “They were so aggressive and clever.”

His complaint, shared privately with the Financial Times by executives at several other major sponsors, provides an insight into the sensitivities of Japan's largest corporate names and their thrall to the country's most influential company — the [advertising giant Dentsu](#).



The under-construction New National Stadium, the main arena for the upcoming Tokyo 2020 Olympic and Paralympic Games

For those that believe the Olympics is only about sport, Japan's \$3bn sponsorship record — three times more in domestic payments than any previous Games and twice as much as any recent men's [football World Cup](#) — is also a revealing lesson in how governments corral the support of the private sector.

It also has major implications for future Olympic hosts and the organisers, the International Olympic Committee, which worries that cities will either not bid or, as happened at Rio 2016, face a furious public backlash when they win the right to host the Games.

When Tokyo last hosted the Games in 1964 it was about postwar regeneration. This time, even as the [cost of hosting it](#) has almost doubled to \$25bn, for Japan the event is about innovation — everything from autonomous driving to AI — and, for Shinzo Abe's government, the revitalisation of a stagnant economy.

To achieve this Dentsu, hired by the Tokyo Organising Committee for the Olympic and Paralympic Games, sought to bolster the ranks of the second- and third-tier sponsors. These rank below the worldwide sponsors — a 13-strong group including Coca-Cola, Alibaba and a trio of Japanese groups Toyota, Panasonic and Bridgestone — which have struck multiyear deals with the IOC.



Prime minister Shinzo Abe poses with Japanese Olympic medalists of Rio 2016 at Japan House in Rio de Janeiro, Brazil

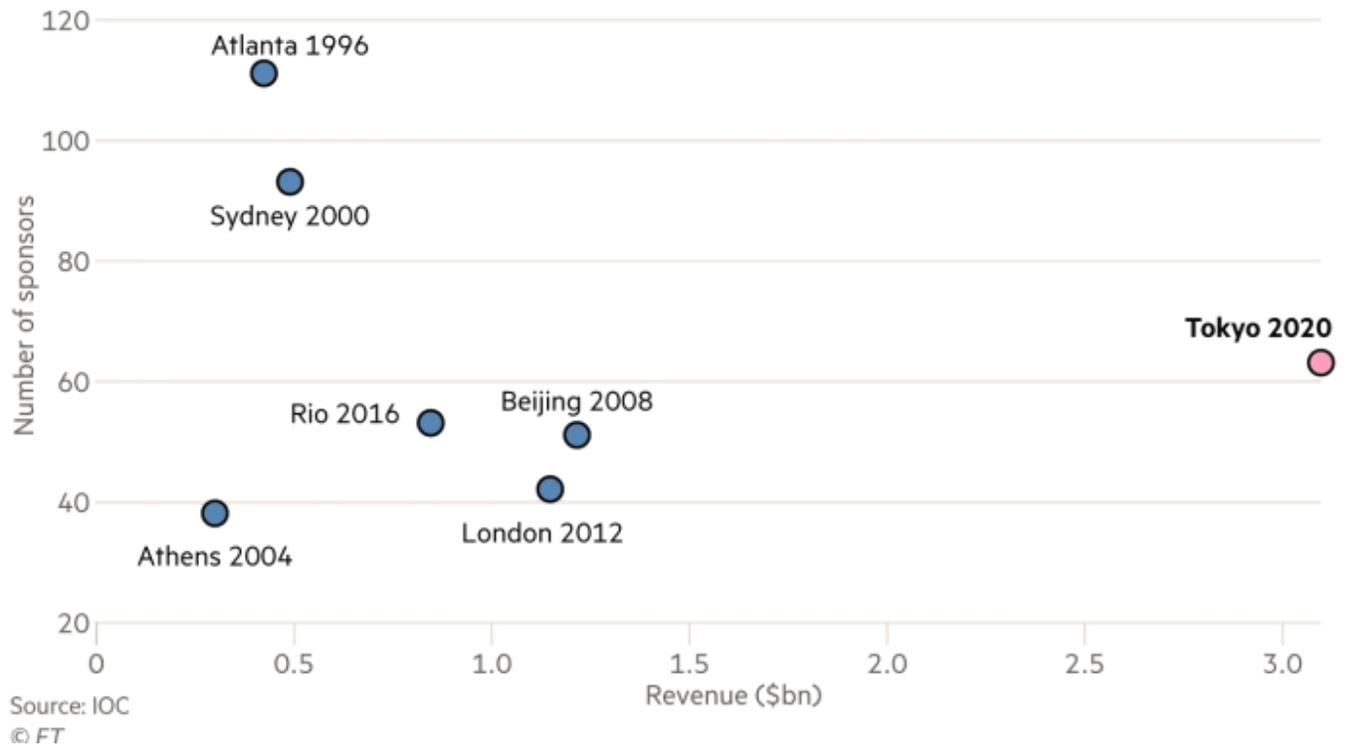
It signed contracts with 63 mostly domestic “partners” whose association with the Olympics is limited to just Tokyo 2020 and cannot be marketed outside the country. The conservative chief executives of corporate Japan were convinced to dig deep by a campaign that tugged on patriotic heartstrings and was marked by a level of speed and focus rarely seen before.

Its success is undeniable. Dentsu was hired in April 2014 and within a year it had signed up 13 of the 15 gold sponsors — representing upwards of \$1bn in revenue. In the scramble to participate, they accepted non-exclusivity contracts, so they were paying a fortune for the same privilege as their main rivals.

“There is a sense of national pride and duty,” says Rob Prazmark, an Olympic marketing consultant. “They have done an amazing job of saying ‘this is almost a civic responsibility’. I’m not sure there is another country that could do this like Japan.”

Japan raises value of domestic sponsorship deals

Estimated domestic sponsorship revenue (\$bn) vs number of sponsors



The role of Dentsu in overturning Olympic conventions has been key to the process. With a market capitalisation of \$10bn, it controls about 25 per cent of the domestic advertising market and has a client list that includes Toyota, Panasonic and SoftBank. It won a heated bidding race to act as the exclusive agent for sales of domestic sponsorship. Those deals would normally have been handled directly between companies and the local organising committee.

Significantly, say senior executives involved in those decisions — many speaking on condition of anonymity — the deals were signed at a time that marked the peak of “Abenomics”, the prime minister’s attempts to rekindle Japan’s economy.

In 2008, China mobilised the full force of its state-owned companies to back the Beijing Games. The challenge facing TOCOG was to do something similar but with the private sector. To pull this off, it presented the Tokyo games as a national project, and participation as a patriotic duty.

Sponsorship layers



IOC PARTNERS

Coca-Cola, Alibaba Group, Atos, Bridgestone, Dow, General Electric, Intel, Omega, Panasonic, Procter & Gamble, Samsung, Toyota, Visa

GOLD SPONSORS

Asahi, Asics, Canon, JTX Nippon Oil & Energy, Tokio Marine & Nichido Fire Insurance, Nippon Life Insurance, NEC, Nippon Telegraph and Telephone, Nomura Holdings, Fujitsu, Mizuho Financial Group, Sumitomo Mitsui Financial Group, Mitsui Fudosan, Meiji, Lixil

For decades, many Japanese companies have listed “serving society” in their mission statements. After years of saying that, explains one senior marketing executive, it was difficult to ignore the call to participate in Tokyo 2020.

Motoi Oyama, the chief executive of Asics, the sportswear group, says that while he had initially been reluctant to become a major sponsor, members of his board warned him that he would “regret” not doing so. He took the advice, but still worries that the massive financial commitment to the Olympics has diverted crucial marketing funds away from efforts to drive long-term growth in China, India and other markets.

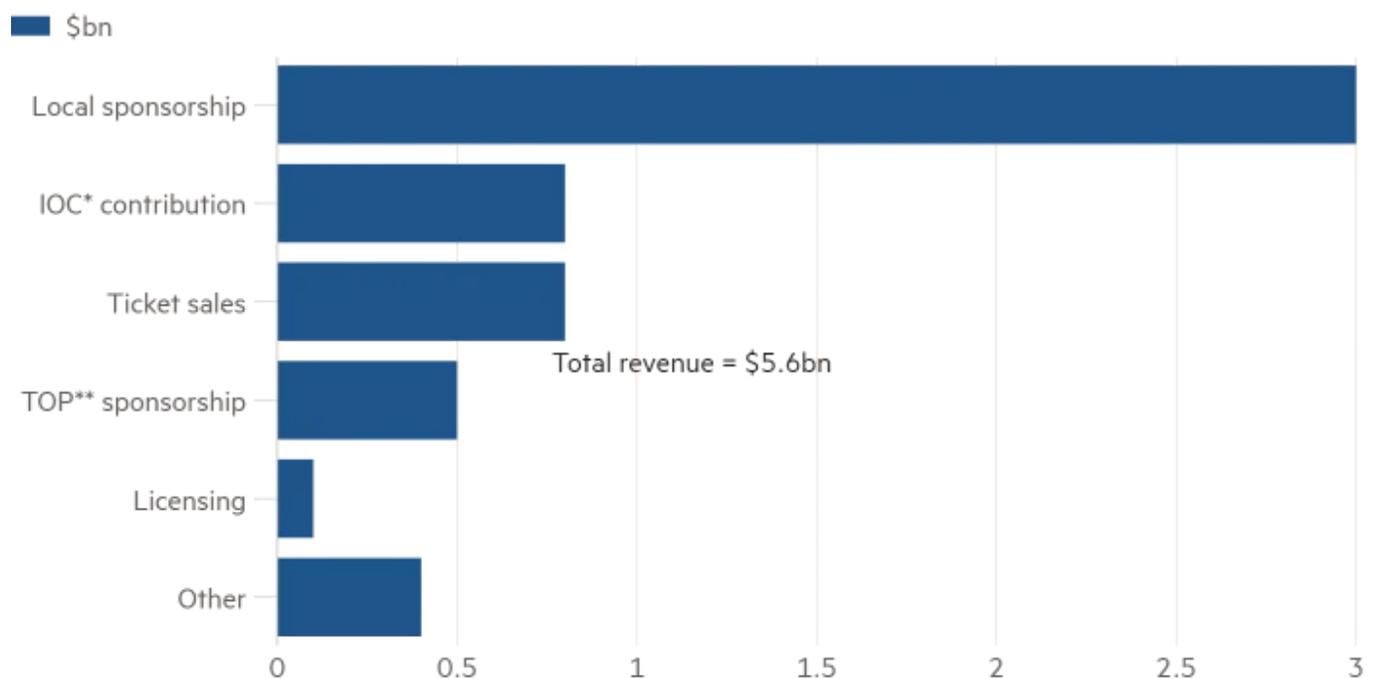
Dentsu, which declined to comment for this article on the grounds of client confidentiality, played on another weakness specific to corporate Japan: a lack of sophistication in using sports as a marketing tool compared with businesses in the US and Europe, say critics.

“Companies in Japan still see sports as something that they need to support,” says Hirotaka Matsuoka, professor of sports marketing at Waseda University. “They haven’t reached the phase yet where they sign up to sponsorship deals after carefully analysing the returns from such contracts.

“That’s why with these Olympic sponsorship deals, [some] are starting to realise that there aren’t as many merits as they had initially hoped for,” he says.

How the Tokyo organising committee is helping to fund the 2020 games

Revenue, by source (\$bn)



*International Olympic Committee **The Olympic Partner

Source: The Tokyo Organising Committee of the Olympic and Paralympic Games

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Regardless, the sponsorship money has been crucial to TOCOG, the \$3bn accounting for about half the income it expects from the games. But it has also been important in diverting criticism away from the escalating cost of staging the Games, which in the past has left some hosts with debts that linger on public balance sheets for decades.

An audit for the government in October said the stated budget of \$13bn for the games did not reflect their true cost and that, once longer-term projects associated with the Olympics and other related spending were factored in, the total financial burden of hosting the game would be around \$24.7bn.

One of the reasons the recalculation did not spark greater outrage was the \$3.1bn already contributed by the private sector, say analysts.

If the Olympics was a key part of the Abe administration's "Japan is back" narrative, it had equal significance for Dentsu, which has an almost four-decade relationship with the Games.



Tsunekazu Takeda, former Japan Olympic Committee president, has been formally investigated on corruption allegations related to Tokyo's bid, which he denies

Long viewed as Japan's most powerful advertising agency with tentacles that stretch through its corporate and political worlds, Dentsu's position was shaken in recent years after an overcharging scandal and an employee suicide that led to an overhaul of its work culture. Its role in the Olympics, say people close to the company, was considered pivotal in rehabilitating its status in the country.

"Dentsu has always been number one in Japan but has also been dogged by fear of when that number one position could collapse," says a former executive of the company. "The fact that Dentsu has always handled Olympics [for Japanese brands] has kept the motivation going for employees. It's part of their *raison d'être*. If they lose that, they will no longer be Dentsu."

So how did they do it? How did they convince chief executives to stump up such large amounts of money?

Using every trick in the book, say those targeted, adding that not all of the "patriotism" has felt entirely optional. As the main bank to the Tokyo Metropolitan government, for example, it was "natural" for Mizuho to become a gold sponsor, executives at the bank say privately.

Pivotal to Dentsu's success was the abandonment of the tactic that sells sponsorship with a promise of exclusivity. It means that for Tokyo, direct rivals can both be sponsors.

This veritable Noah's Ark approach means two airlines (Japan Airlines and ANA), two big banks (Mizuho and SMBC), two travel agencies (HIS and JTB), two property developers (Mitsui Fudosan and Daiwa House), two security companies (Secom and Alsok), two producers of table condiments (Kikkoman and Ajinomoto) and even two toilet manufacturers (Lixil and Toto) are all on the same sponsorship roster.

Tokyo 2020 in numbers



\$304bn

Economic impact of the Tokyo Games (approximately ¥32tn)

\$24.7bn

Board of Audit of Japan figure for spending linked to the Games

7.8m

Games tickets to be sold; 0.7m-1.1m foreign tourists are expected

“It’s unheard of to have two airlines or two banks. I’m astonished they can command these dollars without exclusivity,” says Dave Doroghy, director of sponsorship sales for the 2010 Vancouver Winter Olympics. “In the sponsorship world, we’re in awe. The numbers are unprecedented.”

In June 2015, Yoshiro Mori, the former prime minister who now serves as TOCOG chairman, noted the oddity of the situation when he unveiled the double sponsorship deal with Japan's top two airlines — and bitter rivals. “It's unusual to have JAL and ANA side by side like this,” Mr Mori said, with both chief executives beside him. “But that is what's great about the Olympics and the all-Japan [spirit].”

Other tactics, say executives at companies producing materials and equipment for Olympic construction projects, included hints that if they did not take out some level of sponsorship, they would effectively be blocked from bidding for contracts to build venues and accommodation.

“The sponsorship basically just let us bid for contracts on a level field,” says one, noting that the bids themselves were also pitched to bring in smaller than normal profit margins to show goodwill to the national cause.

TOCOG says it is not aware of any cases where companies were pushed to participate and denies any such suggestion on bidding was made.



Medals for the Tokyo 2020 Olympic Games are unveiled one year before the start of the games in Tokyo on July 24

Dentsu's masterstroke was making itself indispensable. What companies, including some who had previously sponsored the Olympics, say is that they had not anticipated the bureaucracy involved with having Dentsu as the middleman. “Any time we want to use a brand or mark, there's a fee [we have to pay] to Dentsu. Nothing can be approved, nothing can be paid for without Dentsu's sign-off,” says an executive at one industrial group. “Everybody is frustrated. It's money for nothing.”

The advertising group is expected to receive less than 5 per cent of gold sponsorship fees, according to people close to the company, for its intermediary role in connecting the corporate sponsors with TOCOG. And it will also receive fees over a number of years as a marketing partner for some of the sponsors.

But many observers believe some of those profit gains will be dented by the sheer cost of manpower and time spent even before Tokyo [won the bid in 2013](#) and later to help Japanese companies navigate the complex conditions set out by the IOC and the Japanese Olympic Committee.

“There are other businesses that will be more profitable considering the manpower required for the Olympics,” says the former Dentsu executive, saying the agency has taken a long-term view of the value of the Games. “But because you can say Dentsu does everything including the Olympics, it leads to all kinds of other deals and that is why the business impact is huge.”

The sponsorship billions have given Tokyo a much needed fillip. Few doubt [its readiness](#) or enthusiasm for next year’s games, yet the preparations have been dogged by a string of mishaps, cost overruns and resignations.

The original design for the National Stadium that will host the main events was suddenly scrapped in a funding row. To meet the demands of TV schedules, Tokyo is hosting the games at a time of the year when temperatures make outdoor activity dangerous, forcing a [series of emergency measures](#) to beat the heat. In June, the 71-year-old head of the JOC, [Tsunekazu Takeda, abruptly resigned](#) after he was placed under formal investigation in France on corruption allegations related to Tokyo’s successful bid. Mr Takeda has denied the allegations.

Despite all this, Japanese sponsors have stampeded to sign up.

“This was not a decision that made mathematical or economic sense if you just looked at it like another sponsorship deal,” says the marketing director of one of the official partners of Tokyo 2020. “It was basically a no-option choice that a company of our stature had to do its duty to Japan. Our biggest rival was probably going to do it as well. There was no way we wanted to be left out.”

Additional reporting by Roshan Soni