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Coronavirus: Delayed Olympics risks turning into colossal advertising bust



The Omega countdown clock of the days to the Tokyo 2020 Olympic Games is seen in Tokyo, Japan, on March 25, 2020. PHOTO: REUTERS

TOKYO (BLOOMBERG) - The 2020 Tokyo Olympics are now officially delayed by as much as a year, leaving hundreds of companies around the world to recalibrate their plans for the world's biggest marketing event.

It will not be easy.

Businesses pay billions of dollars to get their brands and products in front of 7.8 million ticket holders at venues, as well as 4 billion-plus television and Internet viewers. Now, their promotional plans are facing disarray. With the virus slashing into sales and profits, there is also a very real risk that some companies may pull out altogether, or no longer be operating.

Japanese Prime Minister Shinzo Abe and International Olympic Committee (IOC) president Thomas Bach agreed on Tuesday (March 24) to hold the Games by the summer of 2021, an unprecedented step for the event during peacetime. Indeed, it is the biggest disruption since the 1944 London Olympics were cancelled during World War II.

Most affected will be the 66 local Japanese sponsors.

Most global Olympic partners are locked into long-term deals that span many Olympic cycles, but the Tokyo organisers leaned on national pride to score an unprecedented level of support from domestic brands such as Asahi beer and Asics sneakers. In total, Japanese businesses paid more than US\$3.3 billion (S\$4.78 billion) to sponsor the Games, triple the previous record for an Olympics.

"For them, this is a big scramble," said Rob Prazmark, a veteran Olympics marketer and chief executive officer of 21 Sports & Entertainment Marketing Group Inc.

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"Those companies are knee-deep in local promotions, local advertising campaigns and sweepstakes. That affects the big companies locally too, since Coca-Cola has local rights as well, so their local bottling companies will feel the same effect."

Toyota Motor Corp. has paid 200 billion yen (S\$2.61 billion) for a 10-year top-tier sponsorship, according to local media, and is pouring an enormous amount of money and effort on top of that to boost its presence at the Games.

The Japanese automaker rolled out a new taxi model to replace Tokyo's ageing fleet ahead of the Games, and had planned to deploy everything from electric vehicles to fuel-cell-driven buses to ferry people around.

The maker of the Camry sedan and the hybrid Prius also launched a global marketing campaign with the tag line "Start Your Impossible" to showcase its vision of a future of on-demand, people-centric mobility services.

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Brokerage Nomura Holdings, one of 66 domestic partners, sought to get its name in front of existing and potential clients across Japan in order to differentiate itself from competitors and motivate employees, according to spokesman Kenji Yamashita.

A major Olympics-related event in Hokkaido was cancelled, as were smaller events at its retail outlets through April. Nomura's managers were even planning to participate as torch runners. Yamashita declined to comment on the delay.

For Asahi Group Holdings Ltd., Japan's biggest brewer, the Games would have been an opportunity to promote its Super Dry lager - which the beermaker is trying to nurture into an international premium brand. A domestic gold partner, Asahi had the rights to sell its beer at Olympic venues.

While many of those plans will remain intact, even with a delay, it will not assuage all of the marketers' concerns. Even if the Games end up drawing a similar scale of spectators and broadcast audience, hospitality that generally takes years to plan will probably suffer. Companies will probably release the products they planned to unveil at the Games to much less fanfare.

"The Olympics is a tool they wanted to leverage to make their global branding better," said Satoko Suzuki, a professor at Hitotsubashi University's School of International Corporate Strategy in Tokyo.

The delayed Games are also a blow to Dentsu Group Inc., a powerful advertising agency in Japan and the go-between for many of the sponsorship deals. The firm was set to see a 200 billion-yen sales boost from the Olympics, but that is now at risk, according to Citigroup analysts.

The news is not all bad, at least relatively. The postponement will allow sponsors the chance to promote the Games at a time when consumers around the globe are not in various forms of lockdown. That will provide bigger return on the advertising that companies do in stores, on packages or in other physical locations.

"Big advertisers are probably applauding this decision," said Tony Ponturo, former vice-president of sports marketing at Anheuser-Busch. "You were maybe going to get 70 cents on the dollar of your value if they had forced through the Games. This way, you wait a year and do it the right way."

Outside of the local companies, there are two other major sets of Olympic partners. The first are the IOC's top-tier global sponsors, an exclusive list of 14 companies, including Coca-Cola Co. and Visa Inc., that pay well over US\$1 billion every four years to be associated with the Games. These deals are usually long-term: Coca-Cola and Visa are locked in for games through 2032, some of which do not yet have host cities.

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"We fully respect the decision of the IOC and the Tokyo Organising Committee to postpone the Tokyo 2020 Olympic Games to 2021," a Coca-Cola spokesperson said. "We know this decision was made in the best interest of the health, safety and security of all."

Bridgestone Corp., a top-tier partner, supplied tyres for official Olympic buses, provided rubber to help earthquake-proof two Olympic venues and was planning to outfit a new Tokyo bicycle fleet. It signed endorsement deals with more than 75 athletes and leased a space along the water in Tokyo's Odaiba Bay to hold events, showcase products and entertain guests.

"Many of the big sponsors prepare houses on-site," said Rick Burton, chief marketing officer for Team USA during the 2008 Beijing Games. "They've locked up real estate in Tokyo to entertain guests, hired five-star chefs, and booked tourism. There's massive amounts already locked down by sponsors."

A General Electric Co. representative said: "We are working closely with the IOC and TOCOG to assess all aspects of our partnership and evaluate next steps," referring to the Tokyo Organising Committee of the Olympic and Paralympic Games. GE is one of a few major Olympic sponsors whose deals were set to expire in 2020.

At a much lower price point are the hundreds of sponsors for each national Olympic team. Team USA, for example, has 20; Britain has 13. All of these companies are also losing out on the exposure they paid for by investing in the 2020 Summer Games.

Swatch Group AG-owned Omega's Worldwide Olympic Partnership extends through 2032; the watchmaker has been the official timekeeper of the Olympic Games on 28 occasions since 1932.

Ironically, Omega's special "Tokyo 2020" limited-edition timepieces could now become collector's items. Such pieces can become historical artefacts that seduces collectors, according to Swatch Chief Executive Officer Nick Hayek.

"I don't hope this happens, but if the Olympics would not take place, these pieces would even be collected and searched 10 times more than the original ones."

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