The global COVID-19 pandemic has affected many areas of the sporting world, resulting in cancellations and postponements across the globe. The Olympic and Paralympic Games (together, the “Games”) are just two of many high-profile events that have been affected by the pandemic. The Games were due to take place in Tokyo, Japan between July and September 2020. However, both events were postponed, with the Olympic Games now due to take place between 23 July and 8 August 2021 and the Paralympic Games due to take place between 24 August and 5 September 2021. This is a momentous decision; it is the first time since the Second World War that the Games have been postponed. Organisers took the decision following World Health Organisation advice. The 2021 Games will still take place in Tokyo and they will keep the ‘Tokyo 2020’ name.

Media reports in Japan estimate that the postponement of the Games will cost Japan between $2 billion and $6 billion. The CEO of the Games’ organising committee, Toshiro Muto described the costs as ‘massive’, especially considering that Japan officially spent $12.6 billion to organise the Games (although a government audit report found that the true costs are likely to be twice as high).

Of that amount, reports indicate that $5.6 billion comes from a privately funded operating budget, which comes in part from sponsorship and ticket sales. A
reduction in sponsorship revenue as a result of the postponement could therefore result in the organisers having to plug gaps in the budget for the Games.

**What does the postponement mean from a sponsorship perspective?**

It was reported in July last year that the Tokyo 2020 Games had generated more than $3 billion in domestic sponsorship revenues. This is a record-breaking figure and three times more than the previous edition of the Games, which took place in Rio de Janeiro, Brazil, and reportedly achieved $1 billion in sponsorship revenue.

With most sponsorship contracts for the Games set to expire in December 2020, sponsors have to decide whether to extend the contracts to 2021 or cancel altogether.

When the postponement was first announced, major sponsors reaffirmed their commitment to the Games. It’s now almost 3 months on from that announcement and it is becoming clear that some sponsors are hesitating on whether to extend their commitment to the Games. The Japanese public broadcaster, NHK, published the results of a survey it carried out to gauge sponsors’ views on whether they will be extending their sponsorship contracts for the Games to the new 2021 dates. With just over a year to go, the results showed that about two-thirds of corporate sponsors were undecided.

NHK approached 78 Olympic and Paralympic sponsors in May, with 57 of them responding. Although NHK did not mention specific sponsors, about 12% of the respondents said they intend to extend their contracts. However, about 65% said that they have not yet entered into discussions with the organisers of the Games and are undecided as to whether or not to extend.

**What were the reasons that the sponsors gave for their responses?**

The general financial health of sponsors’ businesses appeared to be a concern, with 68% of respondents saying that their financial situation has worsened.

Sponsors were also concerned about further contributions that they may be asked to make by the Games’ organisers if they were to extend their contracts, with 14% saying their decision on any extension will depend on the asking price. Organisers are expected to make a decision as to whether further financial contributions will be necessary by July 2020.

Sponsors also raised concerns around planned promotional activity. Most of the promotional events planned either before or during the Games would be unlikely to be ‘COVID-secure’ as they would involve large crowds, which have been prohibited in many parts of the world as part of attempts to curb the spread of the pandemic. Many events have been cancelled already and promotional opportunities have been lost. More promotional events could be affected in the future.

Responses to the survey indicate that sponsors are worried about media
reports questioning the viability of holding the Games in 2021. Some of the uncertainty comes from health experts warning that the Games can only go ahead if a vaccine is widely available, as well as a spokesperson for Tokyo 2020 saying that there was ‘no plan B’ if the Games could not be held as scheduled in 2021 and they would therefore be cancelled altogether. Earlier this month, the current Tokyo governor, Yuriko Koike, questioned whether the Games could go ahead in 2021 without international travel deals, saying that freedom for athletes, personnel and fans to visit Japan is the most important thing for holding the Games.

**Causes for optimism**

It is too early to say whether and to what extent the pandemic will affect the Games due to take place in 2021. Although this uncertainty could deter sponsors from continuing their sponsorship of the Games into 2021, it is worth noting that some of the biggest and most long-standing sponsors of the Games have already shown their commitment to the postponed Games. Additionally, Yuriko Koike was more optimistic in a more recent statement, saying that she is pledging a “120-percent effort” to ensure the Games can go ahead and that she “was committed to holding the Games as a ‘symbol of human triumph’ over the virus”.

The postponement could also bring new opportunities for sponsors. Following a bleak 2020, the world will be eagerly anticipating an event like the Games and all the excitement and joy, which comes with it. This could result in increased engagement for sponsors. Moreover, as Rob Prazmark from 21 Marketing (a sports and entertainment marketing company) suggests, the Olympics will likely become a beacon of hope for the world; this could provide additional marketing narratives for sponsors, with campaigns focused on overcoming adversity and international unity likely to be amongst the most memorable of 2021.

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