

TRAVEL AND HOSPITALITY

What a tourist-free Tokyo Olympics means for luxury

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The 2021 Olympics will not be allowing foreign spectators. Image credit: Bryan Turner

By KATIE TAMOLA

The decision to prohibit foreign spectators from the upcoming Summer Olympic Games in Tokyo will have repercussions for the luxury retail and hospitality industries in Japan and beyond.

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In an effort to halt the spread of COVID-19, the organizing committee announced on March 20 that spectators from outside Japan will not be permitted to attend any Olympics events, scheduled to begin July 23. Serving as an Olympic host can spur economic growth and an influx of tourism, but the pandemic leaves Japan, as well as the brands hoping for a successful large-scale event, in a challenging position.

"A well-managed event where Japan shows to the world it can manage the Olympics safely will be the best way to relaunch Japan on the international stage," said Amrita Banta, managing director at [Agility Research & Strategy](#), Singapore. "It will also be an opportunity to market Japan as a luxury destination again, devoid of the crowds and over-tourism of the recent years.

"At this point financial considerations are not as important: it is doubtful this year Olympics will generate enough revenues to cover the investment the country has made," she said. "However, it is really a great opportunity for the country to reposition Japan among the most prestigious destinations in the world."

The show must go on

Hosting Olympic games can mean millions of visitors and increased revenue for a host city, due to anticipated tourism. The Olympics, like other large-scale sporting events such as the World Cup, are also an opportunity for brands to engage with consumers through sponsorships, onsite activations and more.

Athletes, fans and brands alike begin preparing for an Olympiad years in advance.

For instance, Louis Vuitton, Chanel and Giorgio Armani were just a few luxury brands that had planned to retrofit their Tokyo stores to deliver more immersive experiences ahead of the 2020 Olympics ([see story](#)).

Preparation for the Olympics also led to a surge in robotics and artificial intelligence research and investments to shore up Tokyo's security. The gains made in these sectors could easily be parlayed into improving retail

experiences throughout the city ([see story](#)).



Luxury brands such as Hermes have recently focused on physical retail in Tokyo. Image credit: Hermes

The COVID-19 pandemic, however, forced the Games to be postponed until summer 2021. While the event remains scheduled, the situation around the virus remains tenuous enough that organizers are barring attendees from abroad.

"Based on the present situation of the pandemic, it is highly unlikely that entry into Japan will be guaranteed this summer for people from overseas," the organizing committee said in a [statement](#). "In order to give clarity to ticket holders living overseas and to enable them to adjust their travel plans at this stage, the parties on the Japanese side have come to the conclusion that they will not be able to enter into Japan at the time of the Olympic and Paralympic Games."

According to Toshiro Muto, the chief executive of the Tokyo 2020 organizing committee, more than 600,000 Olympic tickets purchased by overseas residents will now have to be refunded, alongside 30,000 Paralympic tickets. The committee will be releasing caps on domestic spectators in venues by next month.

The news is a blow to travel and hospitality brands in the region that were looking forward to the Olympics as an opportunity to promote Japan after a difficult 2020.

When the Games were initially postponed, [Euromonitor International](#) had forecast a 14 percent rebound for inbound travel in Japan during 2021, after a drop of 10 percent in 2020. Prohibiting foreign tourists from entering the country ahead of the Olympics puts that recovery in doubt.



An aerial view of Tokyo, including Japan National Stadium. Image credit: IOC

Brands had already been actively working to implement safety measures and procedures that help consumers feel a bit safer about traveling in the region. Japan Airlines, for instance, has turned to promoting less prominent domestic destinations while focusing on testing and new partnerships ([see story](#)).

Findings from Agility Research also frequently show Japan on top of the list of in-demand destinations among affluent Asian consumers who Tokyo will now be missing out on with the decision on international visitors. While optimism and luxury spending have seen declines, affluent Asian consumers are still interested in traveling and spending as restrictions lift ([see story](#)).

Agility's Ms. Banta believes that if a different kind of system allowing foreign spectators to the games was implemented, it could be beneficial for everyone.

"Enough countries have launched vaccination programs, Japan could work with other governments to establish reciprocal vaccine passports so only low risk visitors can travel to Japan," Ms. Banta said. "A well-run event could really signal that the worst is over.

"And the Tokyo Olympics could be the turning point for the whole world," she said.

Regrouping and refocusing

Luxury brands within Tokyo will have to continue to innovate with its offerings and adapt to whatever restrictions may continue to arise.

In hospitality, it would appear now that the focus is being shifted from having foreign spectators engage with luxury brands in Tokyo to instead focus on and engage with domestic travelers.



For those looking to travel domestically in the Tokyo area, consumers can consider some staycation options from local luxury resorts. Image courtesy of Four Season Tokyo

Affluent travelers in Tokyo and nearby regions are still left with options for luxury travel and hospitality experiences with consumers seeking staycation opportunities at the Four Season Hotel Tokyo, Mandarin Oriental Tokyo and other high-end properties. Staycations could be one way for luxury hospitality brands in Japan to regroup and re-market ([see story](#)).

"Some initiatives that hotels could take to counter the downturn in bookings are running marketing campaigns around business or residential stays targeted towards business professional; messaging highlighted around 'home from home' or 'extended stay or residency; to fill occupancy, the hotels could drop the room night rate, and this initiative would work incredibly well for serviced luxury apartments struggling or even restricted to getting occupancy on leisure stays," said Owain Powell, a U.K.-based independent digital marketing consultant. "In other cases, perhaps the hotel can offer concessions or incentives to retain the guest bookings for a future date, as not all guests will have booked solely for the Olympics but also to experience the beauty and attractions Japan has to offer."

Meanwhile, vacation rental platform and Olympics sponsor Airbnb has shifted to virtual events instead of in-person experiences to reach consumers.

Regardless of the Olympics-related setbacks in Japan and beyond, affluents both domestically and globally seem to show growing interest in traveling more in 2021.

According to a recent report from online travel platform Tripadvisor, 77 percent of global travelers report they will be more likely to travel internationally if they receive the vaccine, including 69 percent of U.S. travelers.

Tripadvisor also found that 11 percent of respondents, including 14 percent of U.S. travelers, have already booked an international trip for 2021. The report also noted that interest in international trips overtakes domestic travel for vacations scheduled for May, with demand building in the spring ([see story](#)).

"There's no denying that this is going to hurt the Japan tourism industry, especially the hospitality sector," Mr. Powell said. "Rather than hanging their heads, they need to react instantly to attract domestic tourists as well as business guests, or those from neighboring countries in pan-Asia that aren't bound by COVID-19 restrictions to travel for leisure stays."

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