

Final Project 1

Code: MGM 496-PMG496

Faculty of Management
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Exploring the Gap Between Large and Small Companies in the Entertainment Industry in Saudi Arabia.

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31/10/2025– Semester 3

1. Chapter 1: Introduction

1.1. Market Concentration and Barriers to Entry in the Saudi Entertainment Industry:

Saudi Arabia's entertainment sector has undergone a significant transformation since the launch of *Vision 2030*, which aims to diversify the national economy and improve quality of life through large-scale cultural, recreational, and tourism initiatives. The entertainment industry has become one of the Kingdom's fastest-growing sectors, encompassing music festivals, sporting events, cinemas, exhibitions, and leisure destinations that contribute to national income and generate job opportunities for Saudi youth.

Despite this rapid growth and the government's strong commitment to developing the sector, the **Saudi entertainment market remains highly concentrated**, with a few large corporations dominating most of the high-value contracts, major events, and government-supported initiatives. These companies possess strong financial resources, advanced organizational capabilities, and extensive networks of strategic partnerships, which allow them to maintain control over a large portion of market opportunities — often exceeding 90% of the total market share.

In contrast, **small and medium-sized enterprises (SMEs)** face considerable challenges in entering or competing within this sector. Such challenges include the difficulty of obtaining operational licenses, limited access to funding, high startup costs, and the lack of exposure or government support compared to the large corporations. Additionally, SMEs often lack the marketing influence and professional networks necessary to secure major contracts or partnerships.

This imbalance has created a **clear market gap** between large corporations and smaller players, resulting in a lack of innovation, reduced diversity in entertainment offerings, and limited economic inclusivity. Consequently, the entertainment industry's growth may appear strong in numbers, but not necessarily balanced in participation or sustainability. Understanding the reasons behind this concentration — and identifying solutions — is crucial to ensuring a more dynamic and competitive entertainment market aligned with Vision 2030's objectives.

Therefore, this research aims to explore the **reasons behind market concentration** in the Saudi entertainment industry and to analyze **how and why large companies are able to close the market** to smaller competitors. It will also seek to identify potential strategies and policies that could promote **fair market access**, support small business growth, and reduce the structural gap that currently exists.

By addressing this issue, the study contributes to the broader discussion of economic diversification and sustainable development in Saudi Arabia. It highlights the importance of regulatory frameworks, industry partnerships, and innovative business models that encourage healthy competition while maintaining the sector's growth momentum. Ultimately, the goal is to provide practical recommendations that can help shape a more **balanced, competitive, and innovative entertainment ecosystem** — one that supports the ambitions of Vision 2030 while empowering all market participants, regardless of their size.

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1.2. Research Problem

The Saudi entertainment industry stands as one of the fastest-growing sectors under Vision 2030, contributing not only to the economy but also to social transformation and national identity. However, **beneath the impressive surface of rapid expansion and major investments lies a structural imbalance** that threatens the sustainability and inclusivity of this growth.

Over the past few years, a handful of large entertainment corporations — often backed by significant capital, strong government ties, and exclusive access to major projects — have come to dominate the market. These companies represent approximately 5% of the total entities operating in the sector, yet they control the majority of contracts, sponsorships, and event opportunities. Meanwhile, the remaining 94% — consisting of small and medium-sized enterprises (SMEs) — are left competing over limited, low-revenue opportunities with minimal support or exposure.

This imbalance has created a **competitive gap** that restricts innovation and limits the diversity of offerings available to the Saudi public. When a few companies monopolize the market, the sector tends to prioritize large-scale, commercialized events, leaving little room for creative, community-based, or culturally diverse entertainment experiences. As a result, the market risks becoming stagnant, overly dependent on a narrow set of players, and less representative of the rich and dynamic Saudi creative scene.

From an economic standpoint, the **concentration of market power** in the hands of a few large entities leads to several negative consequences. First, it limits fair competition, making it harder for new entrants or small firms to secure partnerships, funding, or visibility. Second, it discourages innovation, as dominant firms have little incentive to take creative risks or collaborate with emerging talent. Third, it creates **market inefficiency**, where resources are allocated based on connections and size rather than merit and creativity.

From a business perspective, many small and medium entertainment companies report that they face systemic barriers such as:

- Difficulty in obtaining licenses or event permits compared to established corporations.
- Limited access to high-profile venues, sponsorships, or collaborations.
- Financial instability due to the lack of consistent projects or long-term contracts.
- Minimal marketing exposure and weak connections to decision-makers in the sector.

These barriers collectively form a **“closed market system”**, where opportunities are repeatedly circulated among a few well-connected players. Such a system contradicts the goals of Vision

2030, which emphasize empowering the private sector, supporting SMEs, and fostering innovation across industries.

In addition, this situation negatively impacts **the overall quality and sustainability of the entertainment industry**. While major events bring international attention and short-term revenue, a healthy and resilient entertainment ecosystem requires continuous creativity, diversity, and community involvement — all of which are typically driven by smaller, independent companies.

The lack of inclusivity also affects **talent development** and **employment opportunities**. When the market is closed, talented individuals, startups, and creative entrepreneurs are deprived of platforms to showcase their ideas or contribute to the sector's evolution. This can lead to frustration, brain drain, and reduced motivation among the local creative community.

From a strategic perspective, the current structure poses a risk to the **long-term sustainability** of the Saudi entertainment industry. Overreliance on a few corporations may lead to operational rigidity, reduced audience engagement, and vulnerability to external disruptions. By contrast, a more open and competitive market would allow for continuous renewal, diversity in content, and balanced growth across all levels of the industry.

Therefore, the **core problem** addressed by this research is the **dominance of large entertainment companies and the resulting market closure against small and medium enterprises (SMEs)** in Saudi Arabia. This concentration limits competition, hinders innovation, and creates a market gap that prevents the entertainment sector from achieving its full potential under Vision 2030.

Understanding how and why this situation occurs — and identifying potential solutions — is essential for building a more equitable, creative, and economically sustainable entertainment ecosystem. This research seeks to explore these dynamics in depth, analyze the structural barriers facing SMEs, and propose strategies that promote fair competition and open-market practices.

Ultimately, the problem is not merely about economics or business strategy — it is about ensuring that the entertainment industry reflects the diversity, creativity, and ambition of the Saudi people. By empowering smaller companies and enabling them to participate meaningfully in the market, the Kingdom can achieve a more vibrant, innovative, and globally competitive entertainment sector.

1.2.1 Research Significance

This research is significant because it highlights a real economic and developmental issue within one of the fastest-growing sectors of *Vision 2030*.

Findings from this study can contribute to:

2. Government entities (such as the General Entertainment Authority) in shaping policies that support market diversity.
3. Entrepreneurs and investors in identifying challenges and new opportunities.
4. SMEs in understanding how to navigate and position themselves within a competitive and evolving market.

1.2.2 At the theoretical level

This research contributes to academic discussions on market concentration, barriers to entry, and competitive dynamics in emerging economies. It also enriches understanding of how state-driven economic transformation plans — such as Vision 2030 — can unintentionally create structural inequalities if not supported by inclusive policy frameworks.

1.2.3 At the practical level

Practically, the study can provide insights for policymakers, business owners, and investors.

- For **government entities** such as the General Entertainment Authority (GEA) and the Ministry of Investment, it may guide policy adjustments to enhance competition.
- For **entrepreneurs and SMEs**, it offers a clearer view of challenges and potential market entry strategies.
- For **investors**, it identifies areas of untapped potential within the entertainment landscape.

References (English Sources)

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