

Vertical Integration – Cost-Benefit Analysis

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Abstract

Many vertical integration decisions are made by the term "buy" - the decision by focusing on the financial calculation. Decision vertical integration must go beyond an analysis of costs and investment requirements. It should take into account the broader strategic integration compared with the use of market transactions, as well as some administrative problems in the management of vertically integrated entity, which may affect the success of the integrated firm. But they are very difficult to quantify. Benefits and costs are also affected by the company which adopts a policy of integration taper or full integration.

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