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The Costs of Growth: Accelerated Growth and Crowd-Out in the Mexican Supermarket Industry

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Highlights

- A model that quantifies expansion costs: the costs from the rate of growth
- Low expansion costs can reduce growth by incentivizing some firms to crowd out others.
- The model is estimated using Mexican supermarket expansion in the late 90?s and early 2000's.
- Mexican supermarkets firms incur a 33% higher cost for opening the marginal store during the expansion period rather than at the end of it.
- Simulations show reductions in expansion costs could have resulted in fewer stores and lower consumer welfare.