

Fresh Ingredients Haunt Chipotle, The Mexican Grill Chain

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Introduction

Chipotle, known for its burritos, opened its first restaurant in 1993 with a very simple idea to show that food served fast does not have to be a “fast-food” experience. Steve Ells, the founder was just 28 years old when he started Chipotle to fulfill his dream of a fine-dining restaurant. This realm of fine-dining was brought to the world of quick-service restaurants by using high-quality raw ingredients, classic cooking techniques, and distinctive interior design. The first store located in Denver, Colorado, was selling over 1,000 burritos a day within one month of its opening. Probably due to its high level of success, McDonald’s invested in Chipotle in 1998, which gave an extra boost to the company. In 2006, McDonald’s spinoff Chipotle Mexican Grill Inc. rolled into the history books as its initial public offering (\$22) rose 100% to become the biggest opening-day gainer in a U.S.-based deal in more than five years. Chipotle’s website states, “over 20 years later, our devotion to finding the very best ingredients we can – with respect for animals, farmers, and the environment – is shown through our Food With Integrity commitment.” (Chipotle, 2016). Until October 31st 2015, it was unimaginable that their earnest quest for fresh ingredients could lead a very popular concept to lose half of one of the biggest fortunes ever built in foodservice (Allen, 2016) in a very short span of time. Before proceeding further let’s look at the culprits from the micro world that can create nightmares for any foodservice business.

Escherichia coli (E. coli) bacteria normally live in the intestines of people and animals. The types of E. coli that can cause diarrhea can be transmitted through contaminated water or food, or through contact with animals or persons. Toxin producing E. coli can be found in the intestines of cattle as well as infected people. These bacteria can contaminate meat during slaughtering. Eating only a small amount of the bacteria can make a person sick. Once eaten, it produces toxins in the intestines, which cause the illness. Raw and undercooked ground beef and contaminated produce are often linked with these bacteria. (ServSafe, 2014 p 2.6). Salmonella species are often in a person’s feces. Food commonly associated with these bacteria are produce, dairy products, poultry and eggs. Norovirus, on the other hand, is a virus that is commonly linked with ready-to-eat food. It is often transferred to food when infected foodhandlers touch food or equipment

with fingers that have feces on them. Eating only a small amount of any of the abovementioned bacteria or virus can make a person sick. (ServSafe, 2014 p 2.9)

Things were moving along well and profitably until Oct. 31, 2015 when the former Wall Street darling was hit by a series of foodborne illnesses. First, officials linked it to an E. coli outbreak that has sickened 52 people in multiple states. Then, Boston College’s health officials confirmed a food-borne illness outbreak linked to a Boston-area Chipotle. More than 120 students reported to the college’s health services with symptoms consistent with norovirus. Then, 65 people, including Boston College students and basketball players, fell ill after eating at one of its locations and tests indicated the presence of norovirus. The fallout instantly hammered Chipotle’s comparable-restaurant sales and share price, which dropped about 13 percent within two months. In response, the chain temporarily shut down some affected locations, adopted more stringent food safety initiatives and conducted extensive ingredient testing.

What Went Wrong?

The company was doing extremely well until microorganisms started bothering it with a series of food safety problems. In August 2015, 243 customers at a restaurant in Simi Valley, California, were sickened by Norovirus. The virus struck again in December at a restaurant in Boston, sickening 143 people. Also in August, an outbreak of norovirus sickened 80 customers and 13 employees at a Southern California Chipotle. “Both cases were likely caused by a Chipotle employee who worked while sick, in violation of strict policies designed to discourage this,” the company said on a website it set up to address food safety issues (Humber, 2016). But its problems were not confined just to Norovirus. In August, a salmonella outbreak in Minnesota and Wisconsin - linked to a batch of tomatoes served in 22 restaurants - sickened 64 people. A total of 60 people fell ill. On October 31st, 2015 an E. coli outbreak occurred, when 60 people fell ill in 11 states. All this added to the food safety issues plaguing Chipotle within a short period of time. The damage was far worse as nearly two dozen people died after becoming sick. CEO Michael McCain took full responsibility, stepped into the spotlight and helped save the company (Humber, 2016). Chipotle suffered another setback later in December 2015, when the Seattle and King County Public Health Department closed one of the Chipotle restaurants in Seattle that had recently reopened

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following an E. coli outbreak there. Health officials cited repeated food-safety violations at that location in the weeks since it reopened, specifically a failure to hold food at proper temperatures (Hufford & Jargon, 2015). The crisis has been deeply personal for Mr. Ells, a trained chef who borrowed from his father to start the first Chipotle in 1993. He expanded the chain to more than 2,000 restaurants, with \$4.5 billion in 2015 revenue, making it a forerunner in ingredients like free-range meat (Jargon & Newman, 2016).

What is unusual is the fact that there were so many different kinds of outbreaks associated with this one restaurant chain. Since July, 2015, there were a total of five outbreaks linked to Chipotle, including a little reported case of E. coli that sickened five people in Seattle and which was a different strain unrelated to the larger outbreak that began in October, as well as a norovirus case in Southern California, a salmonella outbreak in Minnesota and the Boston outbreak. Food-safety experts have pointed to Chipotle's heavy reliance on fresh produce as a reason for its susceptibility to such outbreaks. While no cause has been determined, health authorities have said produce is the likely culprit (Jargon, 2015).

What caused the E. coli outbreak may remain a mystery after the Centers for Disease Control and Prevention said on Feb 01, 2016, that the outbreaks appeared to be over and it had closed its investigation without pinpointing an ingredient source. According to Chris Arnold, Chipotle spokesman, it probably will never be known as to what caused the outbreak. Since many dishes have the same ingredients and everyone ate multiple ingredients in their meals, it was difficult to pinpoint at a particular ingredient. The government officials leaned towards produce as a possible source, whereas Chipotle concluded the E. coli was most likely from contaminated Australian beef (Jargon & Newman, 2016).

Source of Contamination

The mystery is compounded by the fact that none of the ingredients tested positive for E. coli.

According to Chipotle it is most likely because the contaminated food had been consumed or discarded. Health authorities initially suspected locally sourced produce, however, Chipotle examined all 64 ingredients it serves, ruling out many. When the CDC (Center for Disease Control) reported on November 20th, 2015, that the outbreak had spread to Minnesota, California, New York and Ohio, Chipotle's distribution records convinced the company the culprit was red onions, cilantro or beef. Onions seemed unlikely to Chipotle, because its supplier shipped much of its harvest to other restaurants, where no illnesses were reported. Two weeks later, the CDC reported cases in Illinois, Maryland and Pennsylvania. Chipotle crossed cilantro off the list, because it used a different cilantro supplier in Illinois. That left beef as a possible culprit. But not all sickened customers ate beef, indicating that the outbreak can only result if E. coli passed from the

meat to other ingredients possibly through improper food handling. Australian authorities claim that their meet is as safe as U.S. beef. Since Chipotle brings fresh meats into its kitchen, the chances of contamination are relatively higher. While the investigation continued, the CDC issued public updates about illnesses that occurred in October and November but had taken a while to get through the public-health reporting system. According to Chipotle this gave a mistaken impression to public that people were still getting sick. Finally, CDC did not think that meat was a culprit since it is improbable that the errors will occur repeatedly in all states simultaneously and the investigation was reported as inconclusive (Jargon & Newman, 2016).

Image and Public Relations

Chipotle's problems were not confined to bacteria and viruses but the public relation (PR) fallout caused sales to plunge dramatically for a chain that has only known explosive growth. In the fourth quarter of 2015, revenue dropped 6.8 percent, comparable restaurant sales decreased nearly 15 percent and net income was down 44% (Humber, 2016). Chipotle closed all restaurants for their training which many considered as a PR stunt.

However, closing restaurants and gathering staff together provided a very clear message to the workforce (and customers) that the company was taking this matter seriously (Humber, 2016). Chipotle said it plans to set aside up to \$10 million to help local growers meet its new food-safety standards, as the burrito chain outlined for its employees its efforts to recover from disease outbreaks tied to its food that have roiled its business (Jargon, 2016).

Farm to Folk Follies

Since more than 500 people fell ill after eating at Chipotle restaurants, their farm-to-table approach is under rethinking mode because locally sourced ingredients are thought by many to be behind the foodborne illness outbreaks. In response to what has become one of the eatery's biggest health and PR challenges -- which reached to the point of federal criminal probe -- Chipotle has to resort to an offensive strategy in order to regain customer trust. It pledged to sanitize its operations, hired food safety consultants and announced it would introduce more-stringent testing of its ingredients, conduct weekly and quarterly food safety audits by the safety, security and risk team, and external assessments (Edmund, 2016).

Food Safety Training

Chipotle did something extraordinary for foodservice training. It closed every one of its restaurants across the US on February 8, 2016 for four hours and held mandatory staff training to talk about food safety. More than 50,000 employees from roughly 2000 restaurants gathered in 400 locations across the country to learn about changes the company made in the wake of high-profile incidents that saw sales

tank in the fourth quarter of 2015. It also live tweeted during the training, and used Redscope to broadcast it. The tweets were criticized to be hardly ground shaking – since there were only 14 tweets during the session and most were rather inane, such as “We’ve come together today to make sure Chipotle is not just the most delicious place to eat, but also the safest” and “We worked with experts who helped us create the most effective food safety program possible.” (Humber, 2016).

Consequences

In December, Chipotle was served with a grand-jury subpoena as part of a federal criminal probe seeking information on the California norovirus outbreak. In the first week of February, 2016 Chipotle said it received another subpoena broadening the investigation’s scope, requiring Chipotle to produce documents related to companywide food-safety matters dating back to Jan. 1, 2013. Also, Chipotle was sued in a federal court on January 8, 2016, for allegedly misleading investors about its food safety practices amid an unprecedented series of foodborne illness outbreaks in their restaurants. The lawsuit, filed in New York, alleges that Chipotle failed to disclose that its quality controls did not comply with food safety regulations and that they were inadequate to safeguard consumer health.

Competitors took advantage of Chipotle’s temporary closure with special offers. Moe’s Southwest Grill, part of Focus Brands Inc., offered a buy-one-get-one-free deal in an effort to be Chipotle customers’ “rebound burrito.” Freshii USA Inc. offered half-priced Mexican food. Chipotle struck back with a deal of its own: customers who texted in the word “raincheck” during a certain window of time received an offer of a free burrito (Jargon, 2016). But after years of rapid store growth, and double-digit sales increases at existing restaurants in 2014, Chipotle faced new competitors emulating its model of serving fresh fare fast, while traditional chains like McDonald’s Corp. and Yum Brands Inc.’s Taco Bell invaded its turf with moves to eliminate artificial ingredients and switch to antibiotic-free meat.

Recovery Efforts

Chipotle CEO Steve Ells apologized to America taking out a full-page ad in 61 newspapers across the country, including The New York Times, Wall Street Journal, and USA Today. Ells wrote: “The fact that anyone has become ill eating at Chipotle is completely unacceptable to me and I am deeply sorry.” Chipotle, the fast-casual Mexican food chain, was closed on February 08, 2016 until 3 p.m. for a companywide safety briefing after outbreaks of norovirus and E. coli sickened customers last year. While customers had to wait for the daily guacamole fix, the company let customers tap into the briefing through Twitter and Periscope, and was gifting free burritos to those whose lunch plans were messed up by the meeting. A promotion on the company’s website told people to text the word “raincheck” to 888-222 to get the deal (Malcolm, 2016, Wieczner, 2016).

Chipotle advertised to give free burritos and it was planning to give away even more burritos as part of what the restaurant chain thought would be a successful campaign to win back customers or encourage repeat business as well as to demonstrate others that the business is brisk. In spite of this it was predicted that 5% to 7% of the Chipotle customers will never come back (Jargon, 2016). After offering customers a free burrito, for closing the restaurants, from 11am to 3pm on February 8th 2016, Chipotle received a backlash of complaints on Facebook from customers complaining that they didn’t receive their free burrito after following the instructions, or that they received a response saying the time of the offer was no longer valid. Customers complained that there was no expiration date or time on the offer. Thus this offer did not get full desired impact.

Chipotle’s next tactic to try and gain customer trust and loyalty back was to offer free chips and guacamole after playing their new Guac Hunter mobile game. The game involves finding the differences between three photos while being timed. Successful answers were promised a coupon for free chips and guacamole an offer which was texted to the individuals’ mobile number. Customers had until March 31st, 2016 to receive the coupon and then until April 10th, to redeem it at any Chipotle location (Chan, 2016). Unfortunately, the mobile game seemingly had a lot of issues and many customers were upset after experiencing difficulties trying to play.

Chains in general, probably due to standardization may be able to get back from such scares relatively easier than independent restaurants. A classic example is the chain, Jack in the Box, which came back even after four children died few decades back due to eating undercooked burgers tainted with E.coli. A fresh start was signaled by a company ad where its mascot was shown exploding the company board room.

But for a company that bills itself as “food with integrity,” it could take a larger goodwill gesture for Chipotle to bring back fair-weather fans (Judkis, 2016).

Image and Public Response

Chipotle’s YouGov “buzz score,” which measures whether survey respondents have heard something positive or negative about a brand, has dropped 48 points since reports of an E. coli outbreak first emerged. Chipotle had a buzz score of 8 on Nov. 1, the day after the first E. coli cases were reported. It dropped to a score of -26 on Dec. 11, the day after Mr. Ells’ “Today” appearance. In spite of the ads that Chipotle took out in newspapers across the country on Wednesday apologizing for the outbreaks, Chipotle’s buzz score has dropped to a -40, according to YouGov. YouGov’s buzz score can range from 100 to negative 100, with a score of zero representing a neutral position. The company basis this score on interviews of 4,300 people each weekday from a representative U.S. population sample (Tadena & Jargon, 2015).

While Chipotle’s financial results showed in March 2016 that sales

were improving, they continued to be significantly lower as the company takes steps to try to restore its image from the foodborne illness outbreaks that significantly affected the business. Since the beginning of the year 2016, Chipotle has conducted company-wide training on its new food safety protocols and offered free food to customers. Further the company showed its seriousness about polishing its tarnished image by announcing that it has hired Dr. James “Jim” Marsden, an expert in food safety, particularly meats, as executive director of food safety (Welshans, 2016).

On February, 2016, Chipotle noted in its annual report that its motto of making “Food With Integrity” could potentially be a part of its problem. The eatery uses fresh produce and meats, rather than frozen ingredients, like most other fast food chains. Since it relies on “traditional cooking methods” like instore chopping rather than “automation,” there’s room from human error when it comes to how food is prepared. The eatery has also said it does not know — and may never know — what caused the recent scare that is wreaking havoc on the brand’s reputation. Analysts say Chipotle will suffer a year of sales declines, with one even predicting that the downturn could last even longer thanks to social media, which has made people more aware of the E. coli scare (Carlin, 2015). A snapshot of comments posted on Facebook (Table 1) taken during the week when outbreak news were spreading shows both positive and negative comments. Also, it becomes clear that there are diehard fans as well as harsh critics.

Chipotle's Stock Value

Chipotle reported on February 2nd 2016, the fourth-quarter’s (2015) net income of \$67.9 million, or \$2.17 a share, down 44% from a year earlier, with a 6.8% drop in sales to \$997.5 million. The drop starting in October until January 2016 is drastic as seen in Figure 1. It was the first decline in quarterly revenue since Chipotle went public in 2006.

Chipotle’s shares rose on December 10th, 2015 after Co-Chief Executive and founder Steve Eells apologized on national television for the restaurant chain’s food safety crises, saying it will become the “safest place to eat.” He appeared Thursday on NBC’s “Today” show and said he was sorry for the people who have become ill after eating at Chipotle. He said the company was inspecting its food safety procedures. After his appearance Chipotle’s shares rose 5% to close at \$575.43 but were still down 20% over the past three months (Hufford & Jargon, 2015), evident in Figure 1.

In March, 2016, Chipotle Mexican Grill Inc. warned that it would lose money during a quarter for the first time in its history as a public company, stung by lower sales as the burrito maker continues to struggle with the aftermath of an E. coli outbreak. Shares of the company declined 3.4% to \$486. For the first quarter of 2016, Chipotle said it expects to report a loss of at least \$1 a share, compared with a year earlier profit of \$3.88 a share. Chipotle said it would book higher expenses driven by increased marketing and promotions—including

Figure 1

Chipotle's (CMG) Stock Prices



(Source: Charles Schwab Corporations)

its recent offer of free burritos—in the first quarter, and that those expenses would remain “significantly higher in the first half of 2016” compared to normal quarters (Beilfuss, Newman, & Jargon, 2016).

It will not be easy or early to recover from these losses. Food Safety issues have plagued several restaurant chains, such as Taco Bell facing a lot of problems in China and the time it took for Jack in the box to recover from its foodborne illness outbreak. However, Chipotle seems to be slowly winning back confidence and people are beginning to trickle back into its restaurants, but the company's stock likely has a long road to recovery. In March 2016, Wedbush Securities analyst Nick Setyan downgraded Chipotle stock CMG, -1.31% to underperform from neutral, turning bearish on the Mexican eatery's recovery after E. coli outbreaks. The analyst had Chipotle at a neutral rating since January 2014 and said his best-case scenario is for sales to recover by 2018 (Williams, 2016).

Chipotle was sued for allegedly failing to disclose flawed quality controls to investors, after the outbreak of E.coli was linked to the firm's restaurants. Particularly the company was sued for allegedly failing to disclose to investors that its “quality controls were inadequate to safeguard consumer and employee health,” according to a copy of the complaint obtained by Reuters. The quality concerns have caused Chipotle stock to plummet, the lawsuit alleges, and therefore investors who bought stock between February 2015 and January 2016 are seeking damages (Alter, 2016).

In spite of the free burritos that the restaurant offered, Credit Suisse lowered its forecasts for Chipotle, citing the fast-casual chain's heavy marketing campaigns due to resultant decision. The mobile and mailed-coupon “efforts have likely helped traffic in recent weeks, but at the expense of ‘real’ sales,” analysts said in a research note. Credit Suisse now expects Chipotle's same-store sales in the first quarter (2016) to drop 30 percent, down from a previously anticipated 25 percent fall. Its analysts also lowered the earnings-per-share estimate for Chipotle, expecting a loss of 21 cents per share instead of a gain of 22 cents (Whitten, 2016).

Crisis Control

Some PR professionals think that the chain did not handle the food-borne illness crisis adequately. They think that Chipotle did not go far enough and that the real problem is that the company is playing defense rather than offence. Chipotle responded to the criticism. “I think it's very easy to armchair quarterback these things and say a company should have done this, or could have done that better,” spokesman Chris Arnold said in an email. He outlined actions taken by Chipotle: (a) since this incident began, they have taken swift and decisive actions to limit the spread of illness, (b) offered their sincerest apologies to people who have been affected, (c) worked diligently with health officials to investigate, (d) been extremely transparent and forthcoming with new information at every turn, (e) retained nationally renowned food safety experts to work with them to reassess our

practices with an eye to making improvements and (f) shared details of an enhanced food safety plan to be sure that food and restaurants are as safe as possible going forward. In spite of this explanation some critics were not satisfied. DXagency CEO Sandy Rubinstein gave Chipotle's handling of the crisis a C-, saying, “I really don't think they've done anything well.” Rubinstein stressed its response has not been very “digestible” for the general public and said it needs to tweak its message, such as walking customers through exactly how the chain handles ingredients. Discussing possible price increases in the future was also a huge no-no, she added (Little, 2015). Some critics feel that they did not weather the crisis, and that Chipotle needs to make it crystal clear how it is fixing the problems to ensure another incident does not crop up. If it can go for a sustained period of time without a new one, customers will start returning.

Future Plans

Chipotle was planning to conduct high-resolution DNA-based testing of many ingredients. However, it was reported (Newman & Jargon, 2016) that they are considering dialing back or eliminating pathogen testing on some ingredients. The company is also planning to get precooked beef before it arrives at restaurant in vacuum-sealed bags, where it will be marinated and heated on a grill before being served. This will also eliminate bare hand handling of beef thereby reducing chances of contamination. This decision, although appropriate, will pose a question in consumer's mind since Chipotle has banked on using “fresh ingredients.” According to Newman & Jargon (2016), “The use of fresh ingredients has been a point of differentiation for Chipotle, which has been competing with a cadre of new entrants in the fast-casual space, as well as with fast-food chains, that are increasingly turning to fresh ingredients. Chipotle, which had prided itself on its from-scratch cooking techniques, now risks turning off some customers.”

Willingness to eat at Chipotle was reported to be increasing; a sentiment which bottomed in Jan 2016. A survey appears to show the worst may be over for Chipotle, with consumers showing more willingness to eat at the chain as negative sentiment from the company's E. coli scare fades. “It appears that sentiment bottomed in January, with willingness to eat at Chipotle increasing after the company's digital coupon for a free entrée spurred improved traffic in the latter half of February;” William Blair & Co. analyst Sharon Zackfia said in a research note (Daniels, 2016).

Conclusion

This case study deals with a serious outbreak affecting Chipotle, a very popular Mexican Burrito restaurant chain. The chain had enjoyed unparalleled success on the Wall Street where its shares grew manifold. However, a series of foodborne illnesses had a devastating effect on its reputation, operations, and consumer confidence. Things were moving along well and profitably until Oct. 31, 2015 Chipotle was hit by a series of foodborne illnesses. First, officials linked it to an E. coli outbreak that

Table 1

Snapshot of Public Comments on Facebook

Date	Positive Comments	Negative Comments
Nov 2, 2015	<p>-- I'm praying for Chipotle Mexican Grill. You're my favorite.</p> <p>-- I would get E. coli any day for you guys. Don't listen to the haters.</p>	<p>-- Maybe if Chipotle Mexican Grill focused more on training and food safety standards and less on fear-based marketing strategies condemning our hard working, American agriculture industry they wouldn't have to temporarily close over 40 store locations.</p> <p>-- Good thing you guys are using safe non-GMO vegetables now, otherwise people might get sick...</p>
Nov 3, 2015	<p>-- Chipotle Mexican Grill please stop torturing me and open up your restaurants again. I would risk a lot more for a double steak burrito than MAYBE getting E. coli... I will sign a waiver. Let me take the risk. LET ME DO IT. NOW.</p> <p>-- Dear Chipotle Mexican Grill, I don't care what people are saying about you. I still love you!</p>	<p>-- A GMO/antibiotic free fast food joint that shuts stores down due to an E. coli outbreak is freaking hilarious made my day. How's hating American farmers working out for you? -- "Having three problems in a couple of months means that Chipotle is not paying attention to food safety like it should"</p>
Nov 4, 2015	<p>-- I find it interesting that people are jumping all over Chipotle Mexican Grill because of an incident like this that could have happened to any restaurant. Yet they don't care about other restaurants that continually poison their customers with cancer causing GMO foods and other unhealthy additives just so they can save a buck. Thank you Chipotle for honoring us by serving real food that is not tainted with GMOs.</p> <p>-- Statistically speaking, I should be sick, I eat a ton of chipotle. I'm ready for the stores to re-open. Hopefully the investigation will be over soon.</p>	<p>-- I love how on top of basically facing a ruined business, you guys are making an extra effort to be snarky and rude to anyone who writes here. I enjoy reading this effed up stuff but it's kind of risky. Lol pretty funny. I'll miss you guys.</p> <p>-- Food with integrity and E. coli.</p>
Nov 5, 2015	<p>-- stand with Chipotle! I know how committed Chipotle is to high standards and its commitment to serving only the best food. This is of course a serious situation and one that will only make your company stronger. -- Dear Chipotle, any updates? I'm really missing you.</p>	<p>-- Chipotle products should be labeled "higher risk for foodborne illness" so that consumers can make informed decisions.</p> <p>-- Aye, can u guys just do the E-coli on the side</p>
Nov 6, 2015	<p>-- I miss you so much! I hope the issue gets resolved soon! My husbands convinced you were sabotaged because you are all organic! I'm not sure but I was so sad when I drove by the other day and found out it was closed -- Get well soon</p>	<p>-- Scary news</p> <p>-- Yup...Four hours later and now I'm sick. I had Chipotle around 2-2:30 and by 5:30 I was feeling ill. Please do an inspection of your ---- location.</p>
Nov 7, 2015	<p>-- I love you forever babe -- I love you!</p>	<p>-- Your food is lousy.</p> <p>-- Was one of my favorite places until I experienced med rare steak in VA, TX and FL. Maybe you wouldn't have an outbreak if the food was cooked to code.</p>
Nov 8, 2015	<p>-- I still love you guys!!! Can't wait for you to reopen in the NW!:(</p>	<p>-- Got food poisoning in AZ, it is all about how food is Prepared, all Restaurants should be closed all over For Good</p>
	<p>-- Is there an expected re-opening date in Washington</p>	<p>-- I'd like to take the time out to THANK CHIPOTLE for their carelessness because I really enjoy the taste and feel of PLASTIC coming centimeters from sliding down my throat from the Chicken Bowl I had purchased for dinner. I guess the E. Coli Outbreak isn't enough...?</p>

has sickened 52 people in multiple states. More than 120 Boston College students reported illnesses with signs of norovirus contamination symptoms. The fallout instantly hammered Chipotle's comparable-restaurant sales and share price, which dropped about 13 percent within two months. In response, the chain temporarily shut down some affected locations, adopted more stringent food safety initiatives and conducted extensive ingredient testing. Although CDC's investigation was inconclusive E. coli or norovirus contamination originating from one of the ingredients was suspected. Chipotle apologized and provided extensive plans for training food handlers in restaurants as well as changed its operation. In spite of all efforts, the market share kept on plunging with little signs of recovery. However, the impact of crisis control measures cannot be assessed until after some time. The company closed restaurants, provided free burritos and foods, and promised stringent food safety control measures. The major dent is on the very concept of "fresh ingredients" on which Chipotle was based and the company was proud of. The consumer reactions and satisfaction need to be assessed as time goes on. Social media also plays a big role in building consumer confidence and brand image.

Discussion Questions

- Do you think Chipotle could have done a better job in handling the crisis than what they did?
- Who would you blame for this crisis? The CEO, supplier, food handlers, and/or the process?
- Do you consider using fresh ingredients was a mistake?
- Do you think promoting fresh ingredients and taunting other competitors was a mistake?
- Which one of the following ingredients do you consider as the culprit responsible for E. coli contamination: Australian beef or Cilantro?
- How badly do you think the image of Chipotle was affected by this food safety crisis?
- Efforts made to prevent Chipotle's tarnished image were appropriate and adequate?
- Do you consider Chipotle's "farm-to-table" approach a failure?
- Chipotle's criticism of large scale farming came to bite them as seen by critic's statement? Do you agree or disagree with this statement?
- Was closing the restaurant for foodservice training a waste of time which resulted in consumer dissatisfaction?
- Giving free burritos was a great idea which helped in building consumer confidence. Give reasons if you agree or disagree with this statement.
- Do you think sophisticated methods such as the use of DNA will help prevent future such food safety crises?
- Was the apology by the CEO of Chipotle greatly helped in building consumer confidence? Will Chipotle ever get out of this crisis?
- The recovery tactics used by Chipotle are exemplary. Do you agree with this statement?
- As suggested by Chipotle, do you think their motto "Food with Integrity" was their major problem?
- Comment on the market shares of Chipotle and forecast if and when the shares will reach the levels secured before the food-borne illnesses.
- Consider public's positive and negative comments as listed in Table 1 and justify the accuracy of those comments.
- How can Chipotle turn crisis into an advantage? Comment on the crisis control measures.
- Critically examine Chipotle's decision to get into burger business or getting the trademark of "Better Burgers."

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