

*Fresh Ingredients Haunt Chipotle, The Mexican Grill Chain***Teaching Objectives**

This case study includes multi-disciplinary subject matter and so teaching objectives will be based on the subject or course for which it is used. Emphasis can be placed based on the topic(s) under discussion. The objectives based on the contents that can be further explored or discussed are listed below under different headings:

1. Marketing Strategy:
  - a. Recognizing the importance of sound marketing strategy during unusual times.
  - b. Implementing marketing principles in selecting and defending brand image.
  - c. Implementing the right response at the right time.
  - d. Interpreting the importance of core concept.
  - e. Recognizing the importance of consumer confidence through crisis control.
2. Concept selection and operation management:
  - a. Recognizing the importance of selecting basic restaurant concept.
  - b. Recalling the importance of food/food ingredients as the core of a brand concept.
  - c. Differentiating the implications of selecting operational parameters.
  - d. Recalling the importance of selecting food safety preventative measures.
  - e. Recognizing the consequences of improper concept decisions.
3. Brand Equity Management:
  - a. Recognizing of the importance of brands and brand equity.
  - b. Interpreting preventive measures to protect brand image.
  - c. Recognizing the role of brand equity in crises situations.
  - d. Differentiating brand equity and customer loyalty.
  - e. Recognizing the multiple factors that impact a brand.
4. Consumer relations:
  - a. Illustrating the importance of customer loyalty and brand image.
  - b. Recognizing the importance of communicating with consumers.
  - c. Recalling the importance of social media in communications.
  - d. Realizing the importance of building consumer confidence
  - e. Focusing on consumers as agents of brand support during crisis.
5. Legal aspects:
  - a. Recognizing points to consider in protecting brand image

- b. Illustrating how legal proceedings can impact a business.
- c. Recalling the importance of ethical standards of company executives.
- d. Generalizing the transparent operations needed for building consumer confidence.
- e. Comparing the importance of preserving legal aspects of brands and branding.

**Introduction to the topic and answers to some major questions**

The information provided below in the form of answers to questions will help in introducing the topic and providing information to students in discussing the case.

1. **What is food contamination and how does the food borne illnesses can have devastating impact on a restaurant business?**

*Escherichia coli* (*E. coli*) bacteria normally live in the intestines of people and animals. Most *E. coli* are harmless and actually are an important part of a healthy human intestinal tract. However, some *E. coli* are pathogenic, meaning they can cause illness, either diarrhea or illness outside of the intestinal tract. 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 this bacterium. (ServSafe, 2014 p 2.6). Salmonella species belong to a different bacterial group, which causes a variety of illnesses. Many farm animals carry Salmonella species naturally. These bacteria 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 has also been linked with contaminated water. It is often transferred to food when infected foodhandlers touch food or equipment with fingers that have feces on them. People become contagious within a few hours after eating it and the virus is often in a person's feces for days after symptoms have subsided. Eating only a small amount of any of the abovementioned bacteria or virus can make a person sick. (ServSafe, 2014 p 2.9)

**2. Does the use of slogan, “food with integrity” had any impact on the crises?**

Steve Ells built Chipotle Mexican Grill Inc. into a restaurant-industry leader by playing offense, brashly touting fresher and more virtuous food than competitors. His company boasted of “food with integrity” and ridiculed rivals for using artificial ingredients. However, he has been playing defense after E. coli outbreaks sickened dozens, set regulators on the elusive trail of the cause and sent investors fleeing from the once-hot leader in healthy fast food. Mr. Ells told investors on February 2, 2016 that Chipotle has prided itself on being a safe place to eat but that “the events of the last few months have shown us we need to do better.” A report (Wohl, 2015) states, “Chipotle Mexican Grill’s “Food With Integrity” reputation is being tested by an E. coli outbreak, and while it appears the chain is handling it well, only time will tell if the company retains its cachet. The fast-casual chain, where people line up for GMO-free burritos and tacos, is beefing up its food-safety efforts after eight of its more than 1,900 restaurants were linked to an E. coli outbreak.

**3. What major steps are planned by Chipotle in response to the situation?**

Chipotle began shaking things up in its kitchens, changing the ways in which it cooks its food. According to the Associated Press, the Mexican food chain will dip its onions in boiled water before they are chopped. Raw chicken will be marinated in resealable plastic bags, rather than bowls. And cilantro will be added to freshly cooked rice, in order to ensure it will be heated. All of this is in hopes of killing microorganisms that could cause food-borne illnesses, such as E. coli, salmonella, and the norovirus. Other changes to take effect include: cheese is set to arrive in restaurants pre-shredded, onions and other vegetables (like jalapeños) will be soaked in lemon or lime juice to kill microorganisms, and tomatoes, cilantro, and other ingredients will no longer be chopped in stores. Instead, they’ll be chopped in a “centralized location” and will be tested before being sent out. Also, Chipotle will now test 60 samples of every 2,000 pounds of steak before it’s sent to stores and will implement a similar testing plan with its chicken (Carlin, 2015). In addition, Chipotle was planning to conduct DNA-based tests to ensure the quality and safety of all produce as health officials increased the number of consumers sickened in an ongoing E. coli outbreak. Also, Chipotle hired a meat-science professor and industry expert, James Marsden, to oversee food safety across the 2,000-unit chain. Previously, a number of officials looked after food safety in the company’s supply chain and stores. (Beilfuss, Newman, & Jargon, 2016).

**4. Are the additional precautionary steps planned by Chipotle sufficient?**

Chipotle Mexican Grill Inc.’s health-related issues might be over, but the damage inflicted on investors likely will linger. In addition to food safety measures, it is also planning an extensive advertising and social-media campaign to bolster its image. That blitz will be on display while Chipotle reports fourth quarter results. However, it is predicted that winning back customers will not be so easy. Even former parent McDonald’s Corp. was reported to be eating Chipotle’s lunch (and breakfast) amid its thriving all-day offerings. On the other hand, Chili’s operator Brinker International Inc. has been raising its bet on higher-end Mexican food (Russolillo, 2016). These are few examples of how unintentionally Chipotle has given fuel to its competitors.

**5. What are the challenges and consequences that need consideration by Chipotle?**

A report (Anonymous, 2015) in Wall Street Journal’s online addition states, “one reason large chains dice foodstuffs in a central kitchen is to avoid contamination. Last year Chipotle put out a comedy series about the “utterly unsustainable world of industrial agriculture.” Also ironic is Chipotle’s campaign against genetically modified organisms, known as GMOs. Earlier in the year 2015, the company celebrated “a farewell to GMOs.” The company thus plays into public fears that crops with tweaked DNA are “Frankenfood.” The market is a brutal teacher when customers and investors realize a company isn’t practicing what it preaches.” Not only did last year’s E.Coli crisis dent Chipotle Mexican Grill’s CMG -1.31% financial results, but the outbreak also cut the burrito chain’s co-CEO’s total compensation by more than half. Comparable sales in the fourth quarter of 2015 fell 15%, and the drops only worsened in the first two months of 2016, falling 36.4% in January before tempering last month with a 26.1% decline (Wahba, 2016).

## Teaching approach and strategy

The unique part of this case study is that it is based on a major restaurant scenario. This case study can be used in teaching higher level marketing, marketing strategy, legal aspects and/or management courses within hospitality or business programs. The discussion or debating questions are designed to promote active class participation. It is recommended that the case study be followed using one or more of the following choices:

**Choice 1.** Assign the case ahead of time for reading and understanding by all participants. If possible, divide the class in two groups: (a) one group supporting Chipotle and (b) another group opposing Chipotle. There are enough pros and cons that would make forming

such groups easily.

**Choice 2.** If possible, give students an opportunity to visit Chipotle restaurant and observe operations. Also, have them make a list of changes that they see that are related to adapted food safety measures.

**Choice 3.** Students may be given a supplementary exercise to collect information about Chipotle from selected media network. The results can be tabulated in a similar fashion as shown in the case study separating positive and negative comments reported by customers. Also a comparative study can be made using other restaurant competitors.

Thus this case study can be used in multiple ways depending on the level of students. Some of the ways in which it can be used are listed below:

1. This case can be used as a supplementary class teaching tool in support of or following a lecture presentation dealing with relevant topic(s).
2. If used as class teaching tool the case can be used for (a) group discussion by assigning it to a group of students who will present it to initiate class discussion; and (b) highlighting all events in the case that occurred after the last reported date in the case study.
3. This case can also be used for role playing or as a simulation exercise. This can be done by dividing students into two groups. One group representing Chipotle Corporation and other group acting as consumers. Both groups can come prepared with further analyses and research. Each group should be asked to defend their position giving all reasons behind their arguments.
4. Further references are provided which can be used as a research assignment for students to further explore the impact of the decisions and actions taken by the CEO of the corporation.
5. Lastly, this case can be used for discussion via selected social media networks.

## Teaching Plan

Since there are several incidences taking place, it is advisable to let the students review the case study thoroughly before discussions. Also, students may not be aware of the food safety issues and microorganisms. The most important aspect of the case is to show the seriousness of the illnesses associated with selected microorganisms. Students in hospitality programs may be aware of the microbial aspects which may not be the case for non-hospitality majors. Also the introduction portion contains the chronology of the events which can be explained before discussions. There are several aspects which are debatable and clearly show the dilemma that the company is facing. Some issues worth emphasizing are: (a) the impact of foodborne outbreaks on chain restaurants; (b) the damage control after such incidences; (c) taking advantage of the crises; (d) confidence building measures for customers as well as employees, and (e) using crises as a learning experience.

## Discussion Questions

The following questions can be used in addition to the ones listed in the case.

- If you are assigned as the CEO of this company what are some of the food safety measures that you will undertake?
- Did Chipotle take adequate preventive measures to ensure food safety in all restaurants?
- What can be done to rebuild the brand image, considering all adverse changes that have taken place during the past several months?
- What marketing strategy and campaigns can best be taken to build the brand image after a crisis?
- What type of long-term strategy will you recommend as the CEO of Chipotle regarding preventive food safety measures?
- Describe an innovative approach you will take to jump start a marketing campaign for this brand?
- What new slogan will you use to show the modified operational attributes of the brand?
- What lessons can be learnt from Chipotle's problems?
- Was Chipotle especially susceptible because of its fresh food emphasis?
- Do you think Chipotle is safer now?

## Additional Readings & References

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