CAN CHIPOTLE MEXICAN GRILL RECOVER FROM ITS 2015 ADVERSITIES?

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ABSTRACT

With the start of a promising 2015, Chipotle Mexican Grill has dealt with a number of concerns including issues with a pork supplier, salmonella outbreak, E. coli outbreak, norovirus outbreak, and a lawsuit brought by shareholders. The company has quickly responded to each issue, but has not been able to overcome the decreased stock price and non-return of customers. What does the future hold for this company?

CASE OVERVIEW

Chipotle Mexican Grill opened its first restaurant in Denver, Colorado in 1993. By year end 2015, the company had almost 2,000 restaurants in the US and four other countries. The company's basic philosophy is to have "Food With Integrity" which guides its business decisions and operating practices. This guiding belief ensures that Chipotle does business with suppliers who have respect for the environment, animals, and workers. It was the first restaurant to serve ingredients that do not contain GMOs.

The company's performance has been exceptional through fiscal year 2014 with increasing revenues, stock price, and net income.   However, 2015 was a down year for the company. It began in early 2015 when a pork supplier did not meet "Food With Integrity" protocols and was dropped as a major supplier. This disrupted pork supplies for restaurants, especially the *carnitas* that many customers enjoyed. This incident was followed by a Salmonella outbreak in August, E. coli issues in October and December, and employees testing positive for Norovirus on 3 separate occasions. In response to these incidents, company leaders instituted new food safety protocols, trained employees, hired a food safety consultant, worked with government health officials and offered numerous promotions to lure customers back to the restaurant. At the 2015 fiscal year end the stock price was still down, revenues were down, and customers were not buying Chipotle food. This downturn has continued into the first part of 2016 and the company posted a net loss for the first quarter 2016.

SUGGESTIONS FOR USING THE CASE

This case focuses on reputation management, especially in the case of adversities.   Discussions may also include ethics and social responsibility topics. This case is appropriate for management or marketing courses. Students may apply their knowledge learned in business courses and make recommendations.

Learning Objectives
1. Analyze company actions by apply Reputation Management principles.
2. Apply ethics' theories to analyze company actions.
3. Discuss social responsibility and how it applies to company actions.
4. Propose recommendations to regain customers' trust and business that apply Reputation Management concepts.

Suggested Assignment Questions

1. Prepare a SWOT analysis of Chipotle and its ramifications.
2. Prepare a Porter's Five Forces analysis and discuss its ramifications.
3. Analyze the examples of corporate reputation damage. Prepare a summary of the best practices to mitigate reputation damage.
4. Using the components of Reputation Management, identify what Chipotle has done well and what they could have done differently. Were their responses sufficient?
5. What is your analysis of Chipotle's actions and why do you think they are unable to win back customers and are seeing decreased revenues and continued low stock prices?
6. What are some Socially Responsible actions that Chipotle has taken?
7. From an ethical perspective, has Chipotle done the right thing (taken the right actions) in response to the 2015 incidents? Explain your answer. Identify the ethical theory that may apply.
8. What are some actions Chipotle can take in the future? Explain why these actions would be good for Chipotle; what are some possible benefits? Identify resources Chipotle will need to implement the actions.

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REFERENCES
(Available Upon Request)

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