

# Chipotle swot analysis

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Chipotle Mexican Grill, Inc. is an American chain of fast-casual restaurants in the United States, United Kingdom, Canada, Germany, and France, specializing in tacos and Mission-style burritos. Its name derives from chipotle, the Nahuatl name for a smoked and dried jalapeño chili pepper. The company currently trades on the New York Stock Exchange under the ticker symbol CMG. The company has own chipotle strengths and weaknesses, released a mission statement called Food with Integrity, which highlights its efforts in using naturally-grown ingredients, and serves more naturally raised meat than any other restaurant chain. Chipotle is one of the first chains of fast casual dining establishments.

The company's restaurants serve a menu of burritos, tacos, burrito bowls (a burrito without the tortilla), salads, and extra dishes such as salsas, guacamole, cheese and lettuce. Chipotle also offers sodas, organic milk and fruit drinks in its restaurants. It offers bottled drinks, soft drinks, beer and margaritas. The company sells these products under the Chipotle, ShopHouse and Pizzeria Locale brands. Chipotle is headquartered in Denver, Colorado, the US.

Chipotle Mexican Grill, Inc. had 2,250 restaurants in operation as of December 31, 2016. They plan to increase the number of restaurants significantly, and plan to open between 195 and 210 new restaurants in 2017.

## **SWOT analysis of chipotle**

### **Strengths**

**Financial Strength**– Chipotle is very strong financially as it has no debts in its record. The company has a very strong daily cash flow and has very good relationship with its vendors. Chipotle’s strong financial strength is showing them the path to buy back their shares from the investors, which will keep them in good stead and show an even healthier balance sheet.

**Innovation**– Chipotle is innovative. Chipotle founder and CEO, Steve Eells, focused on making his restaurants have “ food with integrity”. He implemented low roller menus, which consist of smaller portion sizes, reasonable prices, and even a children’s menu. Eells also placed vegan-friendly and gluten-free items on the menu to satisfy customer’s different wants and needs. Chipotle also runs on energy-saving features such as onsite wind turbines. Eells made Chipotle an eco-friendly environment for all.

**Marketing Initiatives**– Chipotle is marketing the brand not only through conventional mediums such as TV, print etc. but also through digital media, music and content programs which include ‘ Cultivate’ festivals of food, music, ideas etc. Such initiatives create a word-of-mouth and thus organic publicity about Chipotle.

**Quality Conscious**– Chipotle has been extremely sensitive to the quality of the products used. It has a very complex supply chain management instead for just a handful of vendors on whom to depend on the raw materials. Chipotle procures its raw materials from local small time farmers and

ensures proper DNA testing to assure good quality products delivered to the consumer.

### **Weaknesses**

**Limited Food Items on the Menu-** The limited nature of Chipotle's menu may drive customers to competitors. Also, there are few promotions for frequent customers to enjoy. Chipotle's brand loyalty program, Farm Team, is an exclusive offering that sends invitations to customers based on their "passion" not on frequency of purchases. Users can receive deals on meals once they gain access to the website and participate in games and surveys. Since these rewards require more effort to receive, customers may prefer a competitor who has cheaper prices or provides more opportunities to save money. Lastly, Chipotle's marketing department creates short films instead of commercials for television. This limits their reach and effectiveness because consumers have short attention spans and many will not go out of their way to find these films online.

**Higher Price Points-** Chipotle specializes in burritos and tacos and presents them with a superior quality and hence has a higher price point than the competitors. This becomes a disadvantage as people look out for cheaper alternatives.

**Chipotle E. coli Outbreak-** Chipotle was in the limelight recently because of the sudden E. coli outbreak found in a few of their food products. There was a drastic reduction in the regular customers who rather changed paths to competition.

**Opportunities**

**Global Expansion-** Chipotle has a huge opportunity left to tread the global market. Chipotle has a majority of its food outlets in the US and just a handful in Europe and Canada. As compared to the competition, it has a long way to go to tap the international market which will contribute majorly to the revenues. Chipotle could look at Asia, which is one of the leading emerging markets which lie untapped by many.

**People Are More Health-Conscious-** Chipotle is at an advantage because its food offerings already cater to health conscious consumers. As the trend of consuming natural, organic foods continues to grow domestically and abroad, Chipotle's target market and profits will do the same. Western Europe could provide substantial business considering American fast food chains such as McDonald's and Kentucky Fried Chicken have penetrated those markets and succeeded. It is also possible that as suppliers become aware of this trend, they will use environmentally friendly and sustainable methods for their crops, therefore increasing the number of potential suppliers for Chipotle.

**New Product Categories-** Chipotle essentially has four product categories at its restaurants: burritos, tacos, burrito bowls (a burrito without the tortilla), and salads. The company could introduce other product categories to its menu, focusing on other Mexican offerings that could expand sales. The company can also grow its non-Mexican offerings through its ShopHouse Southeast Asian Kitchen and Pizzeria Locale restaurants. It currently has fewer than 20 of these restaurants, and could greatly expand these if they continue to perform well.

**Threats**

Competition- Chipotle had stiff competition since its inception. The fast food industry has grown manifold and has an array of brands offering their products. With smart pricing, strategic location and customer friendly approach the industry has more scope to grow. There are both national as well as international players offering more or less the products with similar service and business strategies.

Economic Slowdown- The economic slowdown and less disposable income are affecting everyone, but especially the restaurant industry. IbisWorld says that people are choosing to eat home-cooked meals instead of going out to eat. When they do go out to eat, average consumers are choosing to purchase lower-priced items. Chipotle is no different, except for the fact that they have a higher price point than restaurants like McDonald's that have value menus.

Increase in Food Safety Regulations- The industry is subjected to various food safety regulations in various countries in which Chipotle is present. This increases company's compliance cost and hence affects operating margins. Also, any further changes in food safety laws can affect the industry.

**References**

- Chipotle Mexican Grill Wikipedia [[https://en.wikipedia.org/wiki/Chipotle\\_Mexican\\_Grill](https://en.wikipedia.org/wiki/Chipotle_Mexican_Grill)]
- 2016 Annual Report
- Chipotle E. coli outbreak reaches six states, shares tumble