

I. EXECUTIVE SUMMARY

Chipotle has been a leader in the fast-casual food industry for the past decade, spearheading the movement of quality food at affordable prices to fit a fast-paced lifestyle. Recently, Chipotle has been looking to expand its operations to increase profitability. **Executives have pitched the idea of opening full-service, sit-down restaurants, and have asked us to do further research into this proposal to determine whether or not they should pursue this path.**

After much research and consideration, based on a cost-benefit analysis of opening up new, sit-down restaurants, our team has concluded that the risks in this case far outweigh the potential rewards. **Therefore, we recommend that Chipotle stick to its current business model of fast-casual dining for three primary reasons.**

The fast casual sector is the most rapidly growing segment of the restaurant industry. Over the past decade or so, even as total restaurant and quick service traffics have been declining, fast casual traffic has been increasing. People are leading increasingly active lifestyles and want companies that reflect their need for delicious food, fast. Although fast-casual style companies make up less than 10% of all restaurants, their growth is almost double that of the restaurant industry as a whole. Why compromise Chipotle's position near the top of the fast-casual sector in favor of the declining market of sit-down restaurants?

Chipotle's growth comes primarily from millennials and young adults. One of the biggest trends in this target market is personalization – millennials are self-centric, and they connect with companies that make them feel special and can cater to their individual needs. The reason behind Chipotle's popularity isn't the most premium ingredients, or the most authentic taste; it can't compete with upscale restaurants on that basis. **The strength of Chipotle lies in its customizability.** Converting to a sit-down restaurant would require a set menu, thereby alienating a large segment of their consumer demographic.

A set menu isn't the only issue with sit-down restaurants. The cost of opening a restaurant is enormous, and **Chipotle's current financials are not strong enough to take such an enormous risk and branch out into an entirely new sector of the market.** Chipotle's stock has plummeted since the national outcry over E.Coli outbreaks, with stockholder equity down 34.09% in the last fiscal year. We feel that pursuing such a drastically different project would detract from Chipotle's focus on rebuilding their current brand, which should be its topmost priority.

We do recognize however, that with increasing pressure from other restaurants like Qdoba, Moe's, Baja Fresh, and Del Taco, Chipotle needs to innovate in order to remain competitive. **Our team has come up with three potential alternative solutions that could help fuel Chipotle's growth, increase profitability, and help it retain its industry leadership position.**

Chipotle is a fantastic brand with great values and we want to firmly reestablish that in consumers' minds. Especially in light of the recent questioning of Chipotle's ingredients' freshness and quality, we suggest that Chipotle **reposition the company with a greater emphasis on their slogan, "Food with Integrity"**. The idea already exists within the company;

we simply want to make it more visible to the public. Ways to do this might include creating promotions on social media with the hashtag “#foodwithintegrity or even just making the slogan a bigger part of existing advertisements and brand imagery.

In line with improving Chipotle’s image of fresh and healthy ingredients, a natural evolution of Chipotle’s current business would be to **expand current menu selection to include healthier options**. Not only is this in line with the trend of increasing health awareness in America, but it also affords Chipotle an advantage over its other fast-casual Mexican counterparts. Incorporating small changes like offering both whole wheat and regular tortillas, or adding the option of kale/spinach instead of lettuce will make Chipotle the “healthier” choice in comparison. At the same time, since the menu would retain its old options it wouldn’t drive away existing customers.

Our final suggestion to promote brand loyalty is to **create a rewards program to incentivize customers to eat more frequently at Chipotle**. Following the success of Chipotle’s temporary summer rewards card “Chiptopia”, we propose that Chipotle create a new loyalty program that gives customers points for every entrée purchased. Chiptopia had over 3.1 million registered users, and we believe an effective way to implement and expand on the program would be an integrated card and app based system. This adds both simplicity and convenience to the program, both stumbling blocks with the original Chiptopia. We believe this could be the missing piece Chipotle needs to connect to millennials and post-millennials, and regain their trust.