

A Study of Chipotle Mexican Grill

QUESTION 1

Does Chipotle Mexican Grill have any core competencies and, if so, what are they? (Minimum requirements 3+ paragraphs)

Core competencies are areas within the company's operations which provide competitive benefit for the company to win more consumers. It allows the company to take benefit of its technical and operational efficiencies in order to provide solutions for the needs of the consumers. In doing so, the company is able to provide significant and better solutions to the consumers as compared to the rivals. Thus, core competencies also become a source of strength for a company to manage the threats arising from the rivals. In case of Chipotle, the company enjoys a number of areas of core competencies. (Prahalad & Hamel, 2006)

One of the important areas of core competencies for Chipotle hovers around the company's abilities to have superior but simple menu and food preparation system. Chipotle is able to keep its menu simple which provides it the ability to maintain simplicity in terms of store management and reducing the costs of bringing changes in the inputs required for the management of the stores. As such this becomes a source of company's inherent strength to offer consumers superior experience in the backdrop of simple menu. The company has been able to provide quality products while keeping the main element of its menu unchanged for a number of years. (Gamble, Thompson & Peteraf, 2014)

Another area of its core competencies has been related to the supply chain management practices. In terms of the operational efficiency, the company has been able to derive the

presence of its competence in terms of supply chain management practices which allows the company to source inputs and ingredients which are of highest quality standards. It has been able to develop relationships and linkages with “reputable food industry suppliers that could provide high-quality, fresh ingredients and other products that met Chipotle’s specifications” (pg. 305). This is in line with the company’s philosophy of providing food with integrity and distinguish itself from the rivals. (Gamble, Thompson & Peteraf, 2014)

QUESTION 2

What are the chief components of Chipotle’s strategy? (Minimum requirements 4+ paragraphs)

The chief component of Chipotle’s strategy has been focused on a number of aspects which included having distinct and simple menu using burritos, tacos, etc. This meant that the company could serve its clients in an operationally efficient manner and avoid the issues which other fast-food giants face in terms of managing large menu options which need to be changed at regular intervals. Since, the company had a stable menu it was able to provide its offerings with higher efficiency and reduced cost of inputs and training of employees and franchisees. All these factors improve the level of efficiency of the company’s operations. (Gamble, Thompson & Peteraf, 2014)

Further, the company also had a thorough focus on its ingredients which is sourced from organic sources and ensures that the suppliers of its ingredients adhere to highest quality. It also ensures that its ingredients were derived from sources which treated animals with humane qualities. This meant that the company was able to distinguish itself from the other rivals in a cluttered market by its focus on ethical values while sourcing ingredients which supported environmental and animal rights. This allowed the company to earn better consumer preference

and loyalty as compared its rivals as consumers increasingly prefer companies that are seen to be ethical in their sourcing of inputs. (Gamble, Thompson & Peteraf, 2014)

Another strategy that Chipotle has applied in order to win more consumers have been related to the use of faster manner in which it fulfills consumer's orders along with competitive priced products. It has been seen that Chipotle provides its product offerings competitively priced which provides added attraction to the consumers. In order to improve consumer experience, it has developed a system which allows it to serve its consumers in a faster manner. These two things combined together allows the company to win higher number of consumers and stand out among the rivals. (Gamble, Thompson & Peteraf, 2014)

A key strategy of the company has been related to its unique marketing efforts which have been focused on associating itself with music videos, community events and use of digital and social media which allows the company to connect with its consumers in a deeper manner. The focus has also ensured that the marketing efforts have been carried out in line with the company's brand experience and allows the company to build strong brand awareness, community relationships and focus of garnering positive word-of-the-mouth initiatives while keeping the marketing expenses significantly lower than its rivals. (Gamble, Thompson & Peteraf, 2014)

QUESTION 3

Which one of the five generic competitive strategies discussed in Chapter 5 most closely approximates the competitive approach that Chipotle Mexican Grill is employing? (minimum requirements 2+ paragraphs)

Generic competitive strategies have been providing details about the overall strategies which the company uses for the purpose of differentiating itself from its industry rivals and

ensuring that it is able to develop better business prospects. Chipotle has been able to follow the process of have broad differentiation strategies which allows it to gain significant mileage in the industry and attract new consumers while retaining existing ones. “Broad differentiation strategies seek to produce a competitive edge by incorporating attributes and features that set a company's product/service offering apart from rivals in ways that buyers consider valuable and worth paying for” (Mheducation.com, n.d.)

The company has been experimenting and ensuring that it differentiates itself in terms of the product offerings. Unlike, it rivals who have been changing menus quite often, Chipotle has been able to keep the menu largely unchanged for years which provides it a significant source of strength over competitors. This has allowed the company to build lasting relationships with its suppliers which has in turn allowed the company to enjoy the benefits of sourcing quality, organic and fresh inputs and ingredients for its products. (Gamble, Thompson & Peteraf, 2014)

Chipotle has also been able to differentiate itself in terms of its abilities to have unique marketing plans and strategies. These marketing strategies have provided the company the opportunity to develop deeply entrenched relationships within the local community in which it operates its stores. The company has been able to distinguish itself in the refreshing manner in which it has associated its brand with popular local events which provides it access to captive audience and much more loyal consumers. These features of the company’s operations have allowed it to follow the broad differentiation strategy and gain competitive advantage over its rivals. (Gamble, Thompson & Peteraf, 2014)

QUESTION 4

What are the primary and secondary components of Chipotle's value chain? (minimum requirements 4+ paragraphs)

Chipotle is functioning on the basis of certain primary and secondary components of value chain. The primary value chain of the company is largely revolving around its abilities to manage its high quality ingredients which are in line with the idea "Food with integrity". This allows the company to maintain high customer approval. Along with this option, the company manages to ensure that it maintains quick order service while providing upscale dining option. This means that the company has been able to marry the benefits of both fast-food chains while providing customers the experience of fine dining. (Gamble, Thompson & Peteraf, 2014)

Another primary value of Chipotle has been derived from its abilities to develop innovative marketing and brand building exercises. This has allowed the company to build a distinctive name in the largely competitive industry segment. The company has been using the options of innovative marketing strategies to have association with community driven programs and consumer contact programs which allows it to have deeper relationships with the community members. It has been able to develop its stores design and location planning which are also in line with its initiatives to create a distinct name for its brand in the segments in which it operates. (Gamble, Thompson & Peteraf, 2014)

The secondary value chain for the company is derived from elements like the presence of strong financial and operational performance by Chipotle. This is reflected in the highly successful financial metrics of the company in terms of revenues and net income which stood at \$2.7 billion and \$278.0 million respectively in the year 2012. Further, it has been seen that the company's revenues have been growing on a steady note with a rise of around 20.3 per cent in revenues across the period of 2007-12. The operating efficiency has been able to experience

higher degree of improvement in terms of 31.7 per cent increase in net income. (Gamble, Thompson & Peteraf, 2014)

Chipotle also has another secondary value chain in terms of human resources management systems. It has a sound policy which ensures that workforce is provided right mix of opportunities for growth and development along with fast growth and promotion policies. In such a system, the company is able to provide a detailed manner in which it is able to develop workforce, which remains committed to the management of the company's operations. Chipotle has a very high rate of internal promotion where managers of the stores are promoted members from crew members. Such kind of policy ensures that the company enjoys significantly high rate of employee motivation. (Gamble, Thompson & Peteraf, 2014)

QUESTION 5

What action recommendations would you make to CMG's top executives to strengthen the company's growth and profitability? (at minimum suggest 3 recommendations, support your recommendations with justifications and thoroughly explain how to implement the recommendations - 3+ paragraphs)

In terms of the first recommendation, it would be suggested that the company is able to enter operations in larger number of international markets. This would mean that the company expands its footprints in the international market which remains largely untapped. This kind of suggestion would be important for the company as it currently has operations in limited international markets like France, England, etc. In order to implement this recommendation it would be important for the company to develop wider range of cuisine which match the international tastes and preferences. Further, in order to expand into the international market it

might also be feasible to have an alliance with a local restaurant chain which is likely to provide Chipotle access to local market dynamics and environmental challenges. (Gamble, Thompson & Peteraf, 2014)

Another recommendation would be in terms of using its considerable brand value to experiment in other formats which exist within the fast-food industry. Currently, the company provides options which have been largely restricted to burritos, tacos and salads. There are a number of other avenues for growth for the company in other options where competitors like McDonald functions. These areas of growth could be used for expansion and further diversification using the brand equity that the company enjoys in its core business. This means that the company could do well in terms of starting a new range of product offerings in other categories like burgers and other offerings which would provide new avenues for growth. This could be implemented on the basis of ensuring that the company invests to start new brand name using the core service model of Chipotle intact. Thus, the management of the company could leverage its existing customer base and brand equity in order to expand into newer product options. This is essential as very small category of 4 per cent visits of the consumers have visited in the fast-casual restaurant category in which Chipotle currently operates in. (Gamble, Thompson & Peteraf, 2014)

The company's management is also recommended to provide greater impetus to quality and safety assurance. This would entail in ensuring that the operational efficiency of the company is improved in line with the increased consumer awareness and government focus on quality parameters. Further, it has been seen that with the increasing consumer awareness, quality standards and adherence to safety assurance would increase which would mean that the company would have to continuously upgrade its quality programs or risk facing consumer ire.

This could be implemented through constant evaluation of the safety program and ensuring that line managers are provided responsibility to provide suggestions for improvement of quality standards. (Gamble, Thompson & Peteraf, 2014)

References

Gamble, J., Thompson, A., & Peteraf, M. (2014). *Essentials of strategic management* . Boston: McGraw-Hill Education.

Mheducation.com,. *Key Points. Highered.mheducation.com*. Retrieved 25 July 2015, from http://highered.mheducation.com/sites/0073530425/student_view0/chapter5/key_points.html

Prahalad, C. K., & Hamel, G. (2006). *The core competence of the corporation* (pp. 275-292). Springer Berlin Heidelberg.