



Comprehensive Strategic Analysis: Chipotle Mexican Grill

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Overview

Introduction:

The purpose of this comprehensive strategic analysis is to examine Chipotle Mexican Grill's business from all angles, so that we may have a greater sense of its identity and business strategies employed. We will use external and internal analyses to thoroughly assess the business.

Background:

Chipotle is an American multinational fast food chain specializing in foods like tacos, burritos, bowls, and other mexican inspired cuisine. The restaurants are fast casual, and have food made to order in front of the customer. The restaurant chain was founded by Steve Eells in 1993 with the first restaurant in Denver, Colorado. Today, there are over 2,300 Chipotle locations. Chipotle believes that food has the power to change the world. They show this as a company by being thoughtful with their selection of ingredients, where they come from, and how they are prepared in the restaurant. Chipotle prides itself on being the only national restaurant brand that makes its food without the use of commonly found colors, flavors, or industry additives in fast food. Chipotle values sustainability as well, committing to reducing greenhouse gas emissions 50% by 2030 and diverting 50% of their waste from landfills in 2021. From an investor perspective, Chipotle has a current stock price of \$57.24 with a market cap of \$77.6B.

Why Chipotle:

Chipotle has healthy and tasty food. The experience of getting to help make your food with the employee is great, as you get to help create your favorite meal. Also, they are relatively inexpensive.

The Business Model:

Key Partnerships  - Food/ingredient suppliers - Beverage suppliers - shipping/transportation/delivery services - Point of sale services - app/website developers	Key Activities  - Cooking food and building meals as desired by customers - Serving fresh/pure ingredients - Top tier customer service/experience in store & online Key Resources  - fresh/pure ingredients supply chain - All restaurant locations - Brand reputation/recognition - Online ordering platform - Mexican cuisine expertise	Value Propositions  - Locally sourced/fresh ingredients for health conscious eaters - Food is incredibly customizable and you help create it - Low prices - Quick and easy experience - Ingredients are high quality and free of GMOs - Responsibly raised meat - sustainability first company	Customer Relationships  - Product customization in store and online - Loyalty/Rewards Programs for customers to earn points - Strong presence in younger communities Channels  - Physical Restaurants - Chipotle App - Website - Advertisements - Social Media - Brand Partnerships	Customer Segments  - Health-conscious people - Younger generations of consumers - Consumers with busy schedules - Consumers who enjoy Tex-Mex cuisine
Cost Structure  - Food/beverage costs - Employee comp/benefits - Rent/upkeep of physical stores - Shipping/delivery of ingredients - marketing/advertising - Cooking equipment/machines/tools - IT costs for operation of website and app - Other overhead/administrative costs		Revenue Streams  - In-Store Sales - Online/App Sales - Catering Services - Promotions - Brand Deals/Partnerships		



Conclusions:

- Sustainability and Social Responsibility are key values to Chipotle
- Chipotle is fully embracing technology advancements, especially with the capabilities/features of its mobile app
- Customization and consumer choice, whether in-store or online, are priorities for Chipotle
- Chipotle is mostly concerned with needs of younger generations, who are more likely to prefer sustainability raised meat, non-GMO products, and pure ingredients
- Chipotle is very vertically integrated

Recommendations:

- Continue to stay on top of evolving wants/needs of gen Z. For example, consider cooking in beef tallow instead of seed oils, which have recently come under fire by gen Z for negative health effects
- Continue to beat very similar competitors like Qdoba and Moe's in crucial areas like speed/convenience as well as health/nutrition

Business/Corporate Level Strategy:

To offer delicious, customizable meals made with 53 fresh, sustainably sourced ingredients, empowering health conscious customers to enjoy food with integrity through an international network of fast-casual restaurants

External Analysis

Introduction:

The purpose of an external analysis is to determine what factors outside of a company that directly or indirectly affect its performance/competitiveness, and its business environment at large. It helps managers better understand the environment in which they operate, and any opportunities/threats that exist. For Chipotle, we will be using a STEEP analysis, Five Forces analysis, and a strategic group analysis. Each will allow us to draw conclusions for the fast-casual restaurant industry.

STEEP Analysis:

The STEEP analysis is used to identify trends in the macroenvironment in which a business operates. This analysis looks at five different factors, among which are sociocultural, technological, economic, ecological, and political/legal factors. No single factor is given more priority than the others, rather they are analyzed holistically to gain a better understanding of the

overall market environment. STEEP provides businesses with a way to benefit from a better understanding of how their company fits into the macro environment, how they can best succeed within it, and any potential threats to their business operation.

STEEP Element	Analysis
Sociocultural:	1. Consumers are becoming increasingly health conscious in their consumption. (+) a. Many consumers are becoming more and more aware of their overall health and what it means for them in the future. Consumers are seeking more all-natural options and going diets in an effort to approach health in a more holistic way. Furthermore, processed foods are becoming increasingly unpopular amongst consumers.^{27,28} 2. Fast food restaurants are embracing international, ethnic flavors due to rising consumer interest in exploring different cuisines. (+) a. Many fast food restaurant companies are trying to capitalize on Gen Z's interest in experimenting with new flavors. According to the "NEXT flavor report" by Rubix Food, 87% of Gen Z consumers would like more global cuisine in chain restaurants, inspired primarily by Chinese, Japanese, and Korean cuisines. Consumers are looking for more adventurous, ethnic dining experiences from chain restaurants. Mediterranean and Mexican, for example, are examples of other fast food cuisines that have increasingly become an alternative to the previous standard of burgers, pizza, and hot dogs.^{14,15} 3. The rise of Gen Z and their preferences are becoming increasingly important for fast food franchises to be aware of and cater to. (+,-) a. According to Staista, Gen Z spent 21% of their income on food products. That, combined with the fact that they are becoming a larger percentage of the consumer population, makes it very important for restaurants to be aware of their preferences and habits. For example, Gen Z, in their quest to explore new flavor profiles from around the world, has shown heavy interest in various sauce offerings. This has led to different restaurants experimenting with and bolstering their sauce offerings. Also, considering locations of different fast food franchises is important. Placing new franchises in locations such as college campuses could be beneficial to winning over this growing consumer base in future years.^{14,15}

Technological:	1. Fast food chains are increasingly utilizing AI to their advantage to boost productivity and consumer satisfaction. (+) a. Currently, many fast food chains are utilizing AI powered ordering systems to increase the efficiency of the ordering process and reduce wait times, therefore increasing customer satisfaction. Companies are also utilizing AI to analyze customer data, identify trends, and help make decisions. Domino's Pizza is a company that has utilized AI to analyze consumer habits and suggest orders, boosting customer satisfaction. Drive-thrus are also benefiting from the use of new AI technology in companies such as McDonald's, KFC, and Taco Bell. The use of AI in these companies is also helping to significantly reduce labor costs.^{16,17} 2. Online food delivery technology is becoming increasingly prominent. (+) a. In recent years, more and more companies have experimented with the use of advanced delivery systems, whether through air via drone or on the ground. Courier services are increasing in number, helping to facilitate this trend in conjunction with the fast food restaurants. For example, in 2022 KFC, in collaboration with Collins Food Limited, created Wing, Australia's first on-demand drone delivery service. Companies are continuing to find ways to use technology to cater to customers' desire for convenience.^{12,18} 3. Increased kitchen automation and robotics is helping to create more efficient processes. (+) a. Automation in the kitchen is not a foreign concept, but today, it is increasingly being used to help bolster productivity. In creating a standardized approach to some of the repetitive daily tasks, the goal is to provide a more consistent, streamlined product for the consumer. For example, automatic fryers consistently cook food to exact specifications every time, robotic arms assemble burgers quickly and consistently, and conveyor belts transport orders directly to the kitchen to create a speedier experience for the customer. In addition to the cooking of the food, new automated systems are being used to clean surfaces and maintain sanitation in restaurants.^{19,20}
Economic:	1. The global fast food industry is expected to continue growth through 2028. (+) a. According to Fortune Business Insights, in 2020, the global fast food industry was roughly \$862.05 billion and is expected to grow at a compounded annual growth rate of 6.05% to \$1467.04 billion by 2028. This shows a good sign

	of potential growth for the industry for the future, following a negative growth year in 2020 due to the COVID-19 pandemic.^{21,22} 2. US unemployment has steadily risen in recent years. (-) a. According to the US Bureau of Labor Statistics, US unemployment has risen steadily from 3.6% in February 2023 to 4.1% in February 2025. This rise in unemployment is typically accompanied by decreased sales in fast food restaurants, as people are less likely to eat out. If this trend continues, companies will have to adjust, not only to worker wages but also to potential variation in sales levels across the board.^{23,24} 3. The US Consumer Price Index has been declining in recent years following a post-COVID-19 uptick. (+) a. According to Trading Economics, the US Consumer Price Index year-over-year percentage change has declined to 2.4% in January 2025 following a spike in September 2022 at 6.714%. If this trend continues and consumer prices level off and become more affordable, increased spending could be expected and therefore positively impact the fast food industry as a whole.^{25,26}
Ecological:	1. There is rising consumer demand for plant-based proteins and plant-based foods in general. (+,-) a. This comes in response to consumers' increased overall awareness of the health benefits of these plant-based sources of food, environmental sustainability concerns, and ethical concerns for animal welfare. These plant-based proteins are derived from sources like legumes, grains, nuts, seeds, and vegetables. In April 2023, according to the Good Food Institute, a US-based NGO, plant-based meat and seafood retail sales grew by 8% to \$6.1 billion.^{12,13} 2. Eliminating waste via sustainable packaging and other measures. (+) a. Restaurants are leaning into consumer preference by shifting their businesses to be more sustainable. A large part of this comes from eliminating waste. For example, companies are making an effort to switch away from wasteful, plastic single use items to alternative, more sustainable sources of packaging. McDonalds is a company who has done this, setting a goal to transition from single-use plastic and foam to 100% sustainable alternatives by 2025.^{29,30} 3. Consumers are increasingly aware of food safety and restaurants are adapting to reflect those consumer desires. (+) a. Health conscious consumers want to make sure that their food is properly treated and prepared before they consume it.

	Therefore, the food industry as a whole is responding to these consumer preferences accordingly. Companies are continually innovating with different testing methods, such as rapid pathogen detection and DNA-based testing. Restaurants are also integrating new technologies into their systems to help adapt to these increased desires for food safety. All of these measures help to provide consumer assurance in the brand.^{31,32}
Political and Legal:	1. The increase of global tariffs could pose challenges for the food industry as a whole. (-) a. With the threat of continued tariffs from the US and the retaliation tariffs of other countries, many industries face potential challenges of increased costs. For the fast food industry, many companies source certain ingredients from various countries. Specifically for US-based companies, these tariffs will make sourcing these foreign goods extra costly. For example, in an earnings call from Chipotle, it was stated that 50% of avocados are sourced from Mexico. These tariffs will make expenses rise drastically, specifically by the amount of “60 basis points on the cost of sales,” according to Chipotle CFO Adam Rymer.^{33,34} 2. Global political instability has risen in recent years. (-) a. Led by the conflicts in Ukraine and Russia as well as in the Middle East, conflicts around the world and increasing political tensions and with that, uncertainty is growing. Certain very large markets such as Russia and China are not places of growth for the foreseeable future within the fast food industry, specifically for US-based companies. This political instability can also have adverse effects on the supply chain, production, and access to different markets.^{35,36} 3. Countries are employing stricter regulations and increasing attempts to enact healthier policies. (+,-) a. Countries such as Canada, the US, and China are among those looking to either enact healthier policies or tighten up food regulations within their countries. For example, Canada has the Health Menu Choices Act, which requires food services to post the number of calories for food and drinks openly. The current US administration secretary of Health and Human Services is looking to enact policies during his time that will cut down on unhealthy consumption and make American consumers more healthy. This could affect the fast food industry by either hurting sales of traditionally unhealthy options or forcing companies that are traditionally unhealthy to adapt and make their products healthier. It could also drive consumers to already more health-oriented

	restaurants. ^{37,38}
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This chart was set up to illustrate the STEEP analysis for the fast-casual food industry. For every category of the STEEP analysis (sociocultural, technological, economic, ecological, and political and legal), three trends were identified in the macro environment that would shape or affect the industry as a whole. Within each of these specific trends, a brief explanation was provided to give more context around the trend and evidence supporting it. In addition to that, two separate sources were used for each trend in the analysis. There was some overlap between sources, but in all there ended up being many different sources for the information. The superscripts at the end of each trend explanation reflect which sources this trend reference within the listed sources at the end of the memorandum. Furthermore, at the end of each bolded trend, there is an indication (+,-) of whether this is a positive or negative trend for Chipotle.

The results of this STEEP analysis provide valuable takeaways about the overall macro environment and how it relates to the fast-casual food industry, and more specifically Chipotle Mexican Grill, inc. As seen in the analysis, many of these trends reflect positive opportunities for Chipotle, with 9 of the 15 trends being solely positive (+). This reflects positively for the outlook of Chipotle within the industry. Throughout the analysis, one of the main recurring ideas reflected around the growing consumer awareness of overall health benefits and sustainability practices. This can be seen in almost every category of the STEEP analysis. Socioculturally, consumers are becoming more health conscious in general. This, along with governmental policies to foster healthy practices and root out unhealthy consumption work hand in hand in driving consumers toward more healthy options. The analysis also shows, through the Ecological category, that companies are working hard to satisfy consumers' desires for sustainability, food safety, and more plant-based options. This works hand in hand with the technological category, as companies are utilizing new technologies to help improve sustainability and food safety. This is seen through the use of robotics to create a more streamlined, safe process of making food. All of these trends are poised to work toward the favor of Chipotle, as it is an already health-oriented restaurant chain that attracts very health-conscious consumers. In terms of potential negative trends (-) for the outlook of Chipotle, there are far less, at 3 solely negative trends. Most of these are centered around politics and the economy. While many companies in the fast-casual industry have enjoyed increasing globalization and the promotion of free trade agreements between countries, various economic and political trends are halting this. In the US, unemployment has been rising steadily and the threat of increased tariffs on foreign goods are two specific trends that have companies in the fast-casual food industry on notice. For Chipotle, being that 50% of their avocados are sourced from Mexico, these tariffs will hit directly. Furthermore, the rise of unemployment could potentially lead to reduced sales and/or increased labor costs. With all of this being said, despite the concern of tariffs and rising unemployment, Chipotle is in a great



position within the fast-casual food industry, and the trends identified by this STEEP analysis point to plentiful opportunities for growth as a company.

Five Forces Analysis:

We are performing a Five Forces analysis of the fast-casual industry to further examine Chipotle's external environment. This analysis will focus on the profitability of the industry as a whole by determining the strength of forces exerted on a given competitor by other industry participants (forces). These forces are suppliers, buyers, competitors, new entrants, and substitute products.

Porter's Force	Analysis
Negotiating Power of Suppliers: Low	• There is a large number of suppliers for each critical input (meat, dairy, produce, bread). This decreases negotiating power.^{1,2} • The goods supplied are very homogenous. For example, there is little differentiation possible for tomato suppliers. This decreases negotiating power.^{1,2} • It is near impossible for suppliers to forwardly integrate into fast-casual restaurants. Most suppliers only supply one input needed in the creation of a meal. Most meals need several unique ingredients. Suppliers would have to turn to other suppliers for every other ingredient, only then could they think of opening a single restaurant. This decreases negotiating power.^{1,2} • Because there are many more suppliers than buyers (competitors), there are also low costs of switching from one supplier to another. This decreases negotiating power.^{1,2}
Negotiating Power of Buyers: High	• Buyers are easily able to choose who they buy from. Many buyers are very price sensitive, and will choose the cheaper option when presented with similar competitors. This increases negotiating power.^{3,4} • There is medium-low differentiation between various competitors in this space. Competitors predominantly compete on price, but serve similar meals (burgers, sandwiches, tacos, pizza, etc). There are several options for a buyer to get any specific fast food. This increases negotiating power.^{3,4} • There is a very large volume of fast-casual buyers every day (36.6% of adults consumed fast-casual on a given day). They also have a powerful voice on social media, which competitors are forced to listen to. This increases negotiating power.^{5,6}

Level of Rivalry Between Competitors: High	• There are a lot of players in the fast-casual industry. Many of these players have existed for a long time, and each competitor has to consider the offerings of several others in making strategic decisions. The large number of competitors increases the level of rivalry.^{7,8} • There are not many differences between products. For example, McDonalds, Wendys, and Burger King all sell very similar burgers. This lack of significant differentiation increases the level of rivalry.^{7,8} • Fixed costs are very elevated given the hundreds/thousands of stores that operate every day across the world. This increases the level of rivalry.^{7,8} • Also, because fixed costs are so high, and restaurants are typically nationwide or international, exit barriers are extremely high. This increases the level of rivalry.^{7,8}
Threat of New Entrants: Low-Moderate	• There are some government agency regulations competitors have to face, such as food safety and cleanliness regulations. This barrier to entry decreases the threat.^{9,11} • As previously mentioned, there are various suppliers for a given input. The high availability of all necessary inputs increases the threat of new entrants.^{1,2} • Most competitors have existed for decades, and over that time have created a very strong brand image. This intangible asset is very valuable, and difficult (if not impossible) to replicate in a short amount of time. Years of marketing spending is required. This decreases the threat of new entrants.^{9,10} • Current competitors have created very extreme economies of scale. They have global supply chains allowing them to have things like “dollar menus.” This is very difficult to replicate in the short run, and decreases the threat of new entrants.^{9,10}
Threat of Substitute Products: Moderate-High	• There is no shortage of other options. People can go to other restaurants, whether they be fast-casual or not, or they can cook at home. Cooking at home requires much more effort/time, so this will slightly increase the threat of substitute products.^{9,10} • The price tradeoff is often negative for making your own food, given that you can do so for cheaper. This will technically vary based on macroeconomic conditions, but is usually cheaper. This increases the threat of substitute products.^{9,10} • There are growing buyer wants/needs for healthier options. Most of the competitors in the fast-casual industry are simply not healthy. There are healthier restaurants, and you can cook at home (very healthy). This growing want/need increases the threat of substitute products.^{9,10}

This chart was set up to examine industry trends for each of the 5 forces. Each trend can either increase or decrease the strength of a given force. If most of the trends are increasing a force, (threat, level of competition, or bargaining power) it’s strength increases from low to high. This signals a smaller opportunity for profitability in the industry.

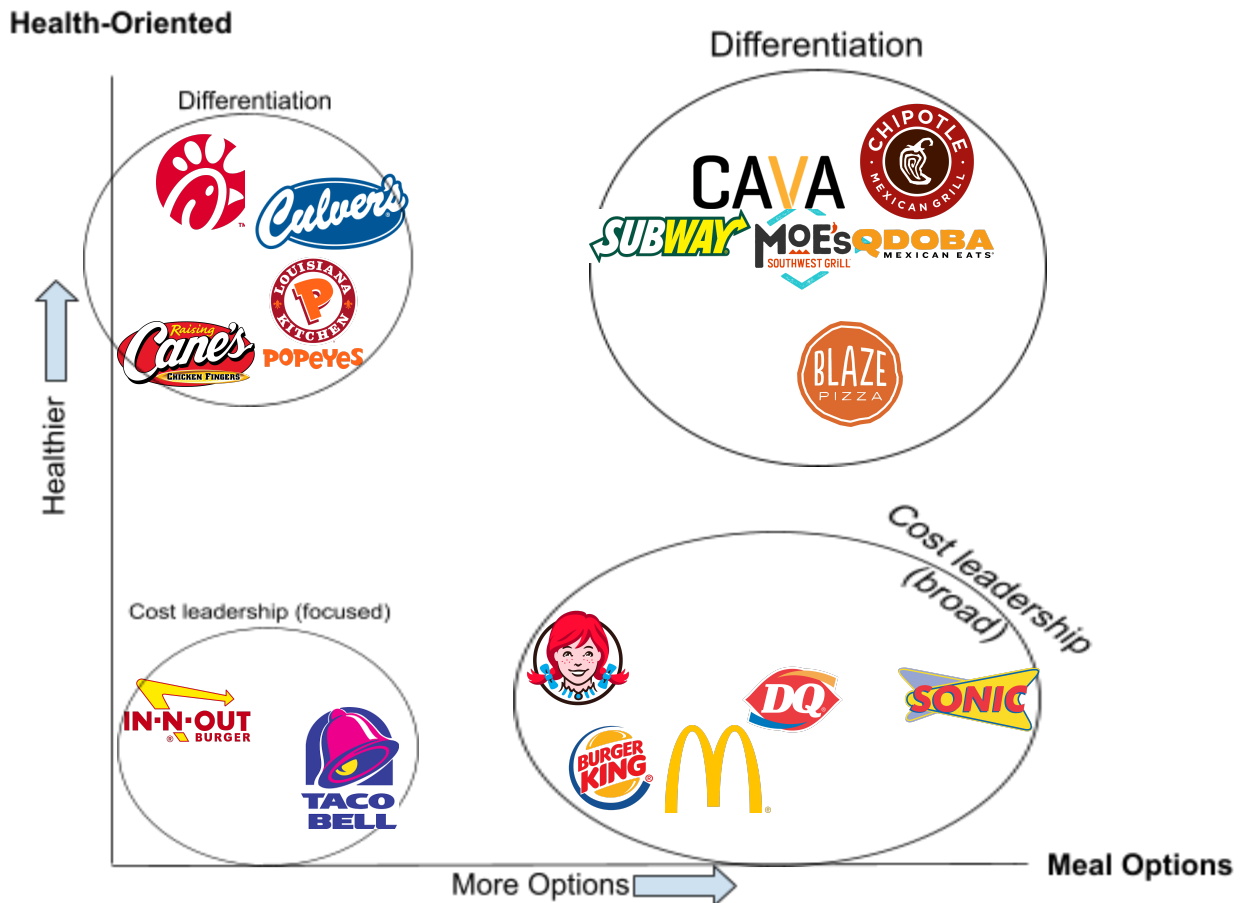


After reviewing the results of our 5 forces analysis, we can conclude that the fast-casual industry is not wildly profitable. Working against profitability is primarily the negotiating power of buyers and the high level of competition between rivals. Fast food is a very price elastic good, as we have determined above. Buyers know that they have options, and face little difficulty in choosing one restaurant over another if they aren't satisfied with the price. Competitors are aware that their competitors are serving very similar goods, and that substitutes are very available. This causes many competitors to focus more on marketing as they try to differentiate where they can. Working for profitability is primarily the low bargaining power of suppliers. Suppliers supply homogenous goods to the fast-casual industry, and there are simply so many of them around the world. The demand curve for something like flour or chicken is almost perfectly elastic. Competitors will use this fact to their advantage, building economies of scale to further extract value from their supplier partnerships. Economies of scale take time to build however, so this is another reason why significant barriers to entry exist for this industry. We expect profitability to stay the same over time, as this market is very crowded with competitors who've existed for a significant amount of time.

Strategic Group Analysis:

The Strategic Group Analysis is performed to help identify different market clusters within a specific industry in order to better understand company strategies and direct competition. The companies within each cluster face similar challenges and are presented with similar opportunities in the industry. This analysis highlights the fact that not all companies within an industry are, or need to be, focused on the same strategy. A Strategic Group Analysis facilitates the enhanced understanding of strategic positioning within an industry and can be utilized to give companies an advantage by helping them to create strategies based on which cluster they belong to.

Fast-Casual Food Industry



This Strategic Group Analysis was created to identify strategic grouping within the fast-casual food industry with relation to the health-oriented nature of the company's food offerings and the amount of meal options that are available for consumption. We chose 17 of the more prominent companies in the fast-casual food industry for representation in the analysis. On the x-axis, we have, from left to right, the degree to which meal options are available, the left being less options and the right being more options. On the y-axis, we have from bottom to top, the degree to which companies are health-oriented, with less healthy companies on the bottom and more healthy companies on the top. From here, we were able to separate the companies into four groups, or clusters, that represent more direct competition and identify them as either differentiation or cost leadership (focused or broad).

From this Strategic Group Analysis, we were able to identify four different strategic groups, identifying also the respective strategies of other companies as well as the direct competition for Chipotle Mexican Grill, inc. Chipotle, according to the strategic grouping, has direct competition with Cava, Subway, Moe's, Qdoba, and Blaze Pizza. This means that the decisions and strategies that these companies choose to implement could directly affect the



performance of Chipotle. These are the companies that can be analyzed further to more accurately identify potential threats or opportunities within the market. On the other hand, the companies that fell into one of the other three clusters are not considered to be direct competitors, so their business decisions and strategies will be less pertinent to the market opportunities and threats of Chipotle. Here also, we can see that the cluster in which Chipotle resides is labeled differentiation. This is because Chipotle (and the other companies in the group) offers healthier menu items with more meal and customization options than the rest of the industry. Furthermore, compared to the companies in their group, Chipotle is among the healthiest with the most amount of meal options. This is something that can be viewed as a strength and potential opportunity for Chipotle, and Chipotle will have to continue to implement strategies that fit within their place in the industry and adapt to decisions made by direct competitors, in order to achieve success.

Internal Analysis

Introduction:

The purpose of an internal analysis is to determine the strengths and weaknesses of a business, with an emphasis on resources it possesses that are creating value or a competitive advantage. For Chipotle, we will be using a VRIO analysis and a Value Chain Analysis to draw conclusions about Chipotle's various resources and business functions. Some resources and business functions are more attributable to Chipotle's competitiveness than others. Managers can use these conclusions to assess if corporate identity, strategy, and organization are aligned.

VRIO Analysis:

Below we have performed a VRIO analysis. VRIO is an acronym for Valuable, Rare, costly to Imitate, and Organized to capture value. VRIO is a framework to assess the various resources or capabilities a firm has, and to determine to what degree a resource/capability serves as a sustained competitive advantage. If we can prove that a given resource/capability is valuable, rare, costly to imitate, and organized to capture value, then it must be a sustainable competitive advantage. Managers can use this information to assess where strengths, weaknesses, and opportunities lie among their various resources.

<u>Resource</u>	<u>Valuable?</u>	<u>Rare?</u>	<u>Costly to Imitate?</u>	<u>Organized?</u>	<u>Outcome</u>
Supplier Network	X	X	X	X	Sustainable Competitive Advantage

Mobile Ordering Tech	X		X	X	Temporary Competitive Advantage
Franchise Network	X				Competitive Parity
Brand Image	X	X	X	X	Sustainable Competitive Advantage
Superior Food Quality	X	X	X	X	Sustainable Competitive Advantage
Patents	X	X	X		Temporary Competitive Advantage
Human Capital	X				Competitive Parity
Marketing/Social Media Presence	X				Competitive Parity
Food Prep Operations	X	X	X	X	Sustainable Competitive Advantage
Menu Simplicity/Customization	X				Competitive Parity

Explaining the Table:

In the above table, we can see 10 different resources/capabilities for Chipotle. Each of them have been investigated to determine which of the 4 VRIO criteria are met. Depending on which criteria are met, a specific outcome is given. Where possible, we have also worked to identify KPIs for each resource, however, given the intangible nature of many resources listed, there was not a clear performance indicator for each resource.

Further Discussion For Each Resource:

1. Chipotle's **supplier network** is one of its most prominent sustainable competitive advantages. Chipotle has chosen to "work with 26 independently owned and operated



regional distribution centers that purchase from various suppliers we carefully select based on the suppliers' understanding of and adherence to our mission and Food with Integrity standards, quality and price availability.”¹ This demonstrates clear organization. We know it is valuable because consumers have demanded high quality ingredients from these suppliers even when Chipotle increases prices.²

2. The **mobile ordering technology** for chipotle significantly supported their business. They have one of the best platforms in the industry, boasting over 30 million rewards members (a KPI).⁴ It not only has the essential function of handling online orders, but it also has location tracking which significantly increases efficiency of handling/making orders at the right times. Mobile ordering tech is common, but Chipotle's is far superior, and competitors are likely to catch up even if developing features are costly.⁵ This puts this capability in the temporary competitive advantage category.
3. The **franchise network** of ~3500 Chipotle restaurants (a KPI) across the nation (and some international locations) is extremely valuable, as it is the largest balance sheet figure for all asset types.¹ This certainly isn't rare however, most other competitors have more locations in the nation and/or globally, such as McDonalds with 10x as many locations.⁶ Because no advantage is created, we have competitive parity.
4. Chipotle's **brand image** differentiates itself significantly from the market. They are unofficially leaders in the healthy/sustainable/responsibly sourced food space. It is core to their business. We know organization is present based on the supplier network which creates this identity.¹ Even the name Chipotle is derived from a Nahuatl Aztec word that means smoke-dried jalapeno chili,⁷ further supporting their authentic identity. Because the brand image is unique and the operations support the image very well, we have a sustainable competitive advantage.
5. Chipotle's **food quality** is certainly superior and we know this based on what we discussed regarding its valuable supplier network,¹ which would be very difficult to copy. We know it is organized because they have made their food quality a core piece of their identity.⁷ All the criteria are met for a sustainable competitive advantage.
6. Chipotle has two **patents**, and both are related to technology for preparing food.⁸ One is for a cooking apparatus and the other is for the method of line preparation in front of the customer. It is valuable because we know customers are interested in the quality of the food⁷, and the patent supports the customer's ability to see the food. This will be a temporary competitive advantage however, given the nature of patents expiring, at which point competitors can copy the ideas.
7. Chipotle's **employees** are well trained, given Project Square One.³ The leader in this space is likely Chick-Fil-A, who has a very strong leadership development program⁹, among other employee training, so this resource is not rare and chipotle isn't organized to capture it like Chick-Fil-A is. This is competitive parity.
8. Chipotle has a strong **marketing/social media presence**. Its spend on marketing is a major reason for its success.¹⁰ However, the leader in this space is probably someone like

Wendy's, who pioneered the way companies approach speaking with younger generations on social media.¹¹ Based on this, Chipotle has a competitive parity in this department.

9. **Food prep operations** are a sustainable competitive advantage for chipotle because they are one of very few competitors with such a strategy and they have 2 patents to support it.⁸ Making food in front of the customer is also supporting their core identity of authenticity.⁷
10. Chipotle's **small menu with unlimited customization** is very valuable to them. It decreases costs and increases speed of making food.² This is not rare or costly to imitate, as many other restaurants like Subway have small menus and allow customization.¹² Because competitors like Subway and others have this capability, this is competitive parity.

Value Chain Analysis:

A Value Chain Analysis helps companies in mapping and understanding their (potential) sources of competitive advantage by breaking apart the firm's activities that are strategically important and add value. Being able to visualize these activities that add value to the firm together in a setting that provides context can help to better understand the company's opportunities to maximize profit and reduce costs. Furthermore, this analysis helps firms to optimize resource allocation, and it is often used as a tool for making decisions with regard to outsourcing of activities.

Primary Activities	Description
Inbound Logistics	- Meats are sourced from local farmers - Raw produce is sourced from local farmers - All of Chipotle's 53 Ingredients are sourced from various suppliers across the country
Operations	- Meat and dairy products are sent to processing plants to be prepared for shipment to stores - Produce is sent to a packing/produce house to be prepared to be shipped to stores - Tomatoes and Cilantro are sent to processing plants - Avocados are sent to a ripening center - Utilization of RFID technology for inventory tracking
Outbound Logistics	- Products sent to distribution centers before they are transported to each Chipotle store - Most delivery to Chipotle stores is by truck
Marketing and Sales	Sustainability and Food Integrity are key components of Chipotle's marketing strategy



	● Implementation of the Chipotle Rewards program, incentivizing customer loyalty ● Chipotle is continuing to expand to international markets as well as in the US ● Utilization of customer surveys, sales analytics, and customer service metrics ● Target audience is younger, health conscious individuals ● Channels such as social media, the Chipotle app, influencer sponsorships, and Chipotle's websites are all marketing channels ● Pricing reflects Chipotle's high quality
Service	● Chipotle offers a customizable experience for the consumer, allowing them to choose from any of their locally sourced ingredients once in the stores ● Food is made in front of customers at time of purchase in-store ● Mobile orders can be made through the Chipotle app for quick pick-up ● FAQ on company website for any possible customer inquiries ● Contact support is listed on the website for any contact that customers want to make with the company

Secondary Activities	Description
Technology	● Chipotle implements RFID technology to help with product tracking throughout the entire supply chain process ● Chipotle is implementing a project called "supplier visibility" by using Oracle's technology, and it is also has an enhanced ERP system ● Chipotle's kitchen management system is a demand based cooking system powered by PreciTaste ● Chipotle has an AI kitchen assistant called "Chippy" to help boost efficiency
HR Management	● Chipotle focuses on the training of their employees in order to reinforce their understanding of food safety standards ● They have "Chip Chats," once a week, which are 60-minute calls where employees can express how they are feeling and share ideas with executives ● Chipotle offers incentives that promote mental health, pay off student debt, and improve financial well-being of its

	employees
Infrastructure	• There are 3,726 Chipotle locations worldwide • Chipotle is a publicly traded company, currently trading at \$49.40 with 1,358,751 shares issued • Chipotle's Board of Directors oversees its sustainability policies as well as discloses stakeholder engagement • Chipotle's CEO is Scott Boatwright, and the Chairman of the Board is Scott Maw • Chipotle does not franchise its stores, giving it very tight control and oversight of each location

In this chart, we are able to see the entire Value Chain of Chipotle Mexican Grill, inc. Here, each of Chipotle's potential strategic advantages can be seen with more context. This table is broken into two sections, which are Primary Activities and Secondary Activities. Within Primary Activities, there are Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Service, as well as a description of how Chipotle implements this for each. Within Secondary Activities is Technology, HR Management, and Infrastructure, also with a description of how Chipotle implements these activities. In observing how Chipotle sources its ingredients, gets them to stores, and then markets and promotes their products to ultimately sell to customers, we can identify value added and potential costs associated with these activities. This will help Chipotle to make decisions in the future and gain a better understanding of their company.

As for Inbound Logistics, Operations, and Outbound Logistics, the primary costs associated with these steps are the purchase of high quality ingredients, the shipment of these ingredients to processing and distribution centers, and the holding and tracking of inventory across the supply chain. These are all costs incurred during these processes, but they are costs that help add value. Chipotle gains value in sourcing locally produced ingredients, as a bulk of their consumer base is health conscious individuals, so these are necessary costs to incur. Furthermore, technologies such as their RFID tracking and ERP system help to add value by optimizing efficiency within the supply chain, ultimately creating a better product for the consumer and ultimately reducing costs. In terms of Marketing and Sales, Chipotle incurs costs by running advertisements, obtaining brand and influencer sponsorships, and maintaining a website and social media presence, among other things. However, based on Chipotle's target audience and core values of sustainability and food integrity, these marketing costs add value in that they help drive their target consumer base to their stores to generate sales, therefore adding value. Looking at Human Resource Management and Infrastructure, Chipotle adds value by ensuring that their employees are properly trained and incentivized, thereby providing a better product to the customer, generating revenue, and ultimately adding value to the company. It is costly for a company to invest in its employees in the way that Chipotle does, but for Chipotle, this gives them an advantage in high quality service, and this provides a return on investment. Another aspect of Chipotle's business model is that they do not franchise, meaning that they have



very tight control and oversight over all of their 3,726 locations. This is certainly costly, but the ability to streamline standardized processes across the company is very valuable, and it makes for a consistent experience for customers. All of these aspects of Chipotle's Value Chain can be seen working together to help provide competitive advantages for the company against other firms. Chipotle can use this information to now gain a better understanding of their strategic edge and how to best allocate their resources within the company.

Conclusion

Upon conducting extensive research into the internal and external environments that shape Chipotle Mexican Grill, inc., we are now better prepared and able to understand Chipotle's strategic positioning and various advantages within the market. First, we can identify Chipotle as a fast-casual food company that aims to deliver a high-quality, customizable dining experience to its health-conscious consumer base. Externally, Chipotle stands to gain from several factors, including trends of increasingly health-conscious consumers, a rise in available technology, consumption preferences of Gen Z, and overall expected future industry growth. Factors that could be harmful to Chipotle's growth include increasing geopolitical tensions, international trade barriers, and a stable level of high rivalry amongst the competition in this market. With this being said, Chipotle should continue to cater to its health-conscious customer base, offering a variety of ethically sourced products in a customizable manner. Furthermore, Chipotle should continue to monitor and be aware of current geopolitical matters, paying attention to tariffs and political actions that could potentially alter operations. Lastly, Chipotle should fully embrace the emerging technologies that are helping to make processes more efficient and ultimately better for the consumer, as this is a factor that will greatly drive demand and overall interest. When looking internally, Chipotle has several sustainable competitive advantages, such as its supplier network, brand image, superior food quality, and food prep operations. These are all aspects of Chipotle's operations that they should lean into to maintain their competitive advantage within the market. Taking this into consideration, there are aspects of Chipotle's business model that they could work to improve upon, such as its human capital, franchise network, marketing, and menu simplicity. These are all competitive parities that, when improved upon, can create new competitive advantages for Chipotle in the future. Going forward, Chipotle can now better understand their current situation within the market, continue to work to their strengths, and take action to improve upon the various other areas of their company.

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