[https://www.swotandpestle.com/chipotle-mexican-grill/](https://na01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.swotandpestle.com%2Fchipotle-mexican-grill%2F&data=02%7C01%7C%7C0201c5cbb1c34e532f3d08d625d23f2b%7C8de80de86d8a47cbb5bc7fb9b5bf1c64%7C0%7C0%7C636737983406699831&sdata=iFWwDpvrn%2BJLBBAaXplr6804uMGmZHYylv1Apuiy1pI%3D&reserved=0" \o "Original URL: https://www.swotandpestle.com/chipotle-mexican-grill/ Click or tap if you trust this link." \t "_blank)

**Question 3: Outline and discuss the firm’s external opportunities and threats, using any analytical model(s) you believe are relevant.**

**[You must analyze the General Environment, Industry Environment, and the firm’s strategic group to determine this information.]**

[**https://www.linkedin.com/pulse/strategic-analysis-chipotle-mexican-grill-amanda-mann/**](https://www.linkedin.com/pulse/strategic-analysis-chipotle-mexican-grill-amanda-mann/)

[**https://sites.google.com/site/chipotleanalysis/external-analysis-of-chipotle**](https://sites.google.com/site/chipotleanalysis/external-analysis-of-chipotle)

[**http://fernfortuniversity.com/term-papers/pestel/nyse4/2666-chipotle-mexican-grill--inc-.php**](http://fernfortuniversity.com/term-papers/pestel/nyse4/2666-chipotle-mexican-grill--inc-.php)

Chipotle Mexican Grill (CMG) external opportunities and threats are examined through the general environment (Pestel Analysis), industry environment (defined by the United State Bureau as a limited restaurant), and strategic groups (unique brand and food) attending to expand its strategy with new business hours and more option in the menu. Porter’s five forces provide an analysis of developing strategies. CMG is strong in the bargaining power of buyers (the buyers do not drive prices down), the threat of substitute products (Consumers have many options including eating at restaurant or eating at home), and rivalry among existing firms (The pure number of other options to dining offers so many alternatives to Chipotle such as Moe’s, Qboda, or Panera Bread). Bargaining Power of Suppliers is moderate because there were few producers (There are multiple channels in which Chipotle could receive its products, but there are fewer organic suppliers). The threat of new entrant of Chipotle restaurant is relatively moderate too even though it may be justly and fair easy for an individual into a national franchise (the market is already saturated with many alternatives to Chipotle). There are five external opportunities and threats for CMG to consider.

**Opportunities:**

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.

**Store Expansion:** As we mentioned earlier, the company plans on opening between 220 and 235 stores this year, the vast majority of which will be in the U.S. Chipotle still has a long way to go to approach the level of **McDonald’s** ([MCD](https://research.valueline.com/research?#sec=company&sym=MCD)– [Free McDonald’s Stock Report](https://research.valueline.com/api/report?documentID=2185-VL_20160226_VLIS_MCD_1999_01-1JMEKUH6O73TQKKT7BDOABFHRP&symbol=MCD)), which has more than 35,000 restaurants domestically. Chipotle has also not yet tapped into the international markets, aside from a few restaurants in Canada and a handful in Europe. Both Canada and Europe offer a large, mostly untapped market with a high percentage of consumers who have high disposable income. The company could also expand into emerging markets, particularly in Asia, where Mexican dining options are few and far between. Other companies that have expanded internationally, including McDonald’s and KFC, have had great success in international markets.

**Focus on**[**international**](https://www.marketing91.com/international-marketing/)**expansion:**Chipotle has rapidly expanded in the last 10 years and has entered the European market as well. This opens up great opportunities for Chipotle to expand in Europe and explore other countries as well.

**Social Media:** Chipotle has a consistent presence across Facebook, Twitter, YouTube, Pinterest, LinkedIn, and Instagram. They have a singular visual identity and extend similar branding across networks. It also allows the customers to be up to date on the latest products of CMG.

**Franchising:** CMG continues to expand operations but franchising is a good opportunity for CMG to use. This will allow CMG to become one of the top leading franchising companies which allow for growth.

**Threats:**

**Intense Competition and number of fast food restarants offering healthy meals:**The Company faces fierce competition from various multinational as well as local food outlets. This forces the company to keep improving its food quality, ambience, reputation etc. to stay ahead of the competition. Competition: The fast-casual, quick-service dining industry remains highly competitive with respect to price, quality, service, and convenience. Primary competitors include locally owned restaurants, as well as national and regional chains. Many of these companies have existed for far longer than Chipotle, and many have a more established market presence. Some also offer menu items that are diet friendly, or low in carbohydrates, while others emphasize lower-cost, “value meals”, a strategy that the company is not currently pursuing. Primary competitors include Taco Bell, which is owned by **Yum! Brands**([YUM](https://research.valueline.com/research?#sec=company&sym=YUM)), McDonald’s, and **Panera Bread**([PNRA](https://research.valueline.com/research?#sec=company&sym=PNRA)).

**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. Additional Food Safety Issues: While it will likely take some time for Chipotle to regain the trust of customers, any additional instances of food-borne illnesses could considerably, and maybe permanently, decimate customer perceptions of the quality of Chipotle’s food items. As we have already mentioned, management has taken significant steps to improve its food safety, beyond industry standards. As a result, we don’t anticipate any more problems in the future. While it’s impossible to prevent every instance of food-borne illness, we think the company is doing everything in its power to prevent further relapses in safety and quality.

**Economy:** CMG continues to expand domestically and internationally which is affected by the economy. Expansion causes CMG to grow and add more employment opportunities. As CMG continues to expand, the long-term debt increases which mean loans are being taken out. The interest rates fluctuate which affect the amount of loan repayment. The foreign exchange rate plans a huge role for CMG. CMG is targeting the international market, which impacts the goods and services transported overseas. Inflation and high unemployment around the world plays a factor in the consumer’s purchases resulting in a reduction in consumer spending. Consumers tend to purchase when inflation is low. This had a significant effect on the limited service restaurant market segment.

**Bargaining power of Buyers :** Bargaining power of buyers is generally related to the functions of supply and demand variables. It is about the capability of the buyer to purchase a similar product with a similar price and even any associated switching cost. For instance, a buyer can buy a burger from McDonald or Burger King which is can also cost the same price with a similar food. Thus, based on the previous result, one could be conclude that the bargaining power of buyers in the industry should be relatively high. Besides, the argument could be made that the bargaining power of buyers is ultimately based on their collective ability to place pricing pressure on the industry. As previously discussed, the industry menu prices have consistently increased over the years inferring that buyers have not affected the prices in their favor. Buyers in the fast food industry consist of individual consumers and although their combined size very huge, they do not make any purchases collectively. It seems like unwilling to change.

**Threat of new entrants :** The threat of new entrant of Chipotle restaurant is relatively low even though it may be justly and fair easy for an individual into a national franchise. The creation of a new national chain is quite a huge effort because it requires a significant financial resources and industry specific knowledge to enter the industry at a relevant scale. Moreover, the successful of the fast casual concept and an attractive overall industry spread, the future may bring a new entrant into the industry as well. A number of national casual restaurant chains and fine dining restaurants have been creating fast casual spinoffs of their brands to compete in this segment of the industry. Thereby, this threat of new entrants from the established firms within the overall restaurant industry presents a significant threat. These companies have both accesses to the required capital and the knowledge required for expand speedily on a national level.

**Threat of losing Customers :** The Denver-based burrito chain, which is currently looking for a new CEO, said on Tuesday that its same-store sales increased 0.9% in the fourth quarter ended Dec. 31. But that modest increase includes the impact of price increases, as well as the queso recepe last September that is now ordered on about 10% of customer checks and had a 200-basis-point impact on same-store sales—meaning the chain lost customers in the last three months of 2017.

**Question 4: Outline and discuss the firm’s internal strengths and weaknesses using any analytical model(s) you believe are relevant.**

# [Strengths and weaknesses will include information from the financial analysis.]

**Strengths:**

**Quality of Ingredients?:** Ironically, what was once one of the Chipotle’s strengths, fresh and quality ingredients, has become something of a weakness due to the recent E.coli outbreak. The company has always prided itself on serving safe, high quality food, so once the safety of its food was questioned, many customers began to flee. And unlike many of the big burger chains, who typically use only a handful of beef and potato suppliers and distributors, Chipotle depends on a more complex supply chain that includes scores of small, independent farmers. This has made it difficult to monitor quality and safety, as many of these small, local suppliers don’t have the resources to effectively track the latest food safety concerns.

**Dependence on the U.S Market:** Roughly 99% of Chipotle restaurants are based in the U.S. While growth in the U.S. has been strong over the years, recent results have slowed somewhat. Since the company is dependent on consumer discretionary spending, its results are sensitive to changes in macro-economic conditions. As a result, when the U.S. economy does inevitably begin to slow, results may take a big hit, especially since the typical tab at its restaurants is significantly higher than at traditional burger and taco chains.

**Customer loyalty:** As stated throughout this analysis, the “Food with Integrity” mission of Chipotle is one of its greatest strengths. This mission resonates with its customer base and creates a positive brand image. As with others in the fast casual restaurant market, they offer online ordering, ordering through smartphone apps and catering delivery in an effort to create greater customer convenience.

**Marketing expertise:** Chipotle has also differentiated themselves in marketing promotions. Through their invitation only rewards program, the “Farm Team,” loyal and passionate customers are invited to join an education program. The goal was not to reward frequent customers but to create a branding initiative and an avenue for customers to share Chipotle’s sustainability platform (Thompson, et al. 2014).

**Number of emplyees:** 64,570 (2017) Employees who received a good training, use their strengths and are more engaged, perform better and so boost the company performance.

**Weaknesses:**

**Limited menu:** Chipotle has a limited menu with a slim variety of offerings besides burritos, tacos and salads. Even though these offerings stay within their quick tex-mex menu, other fast casual restaurants offer a greater variety. When compared to its competitors such as Qdoba Mexican Grill and Panera bread which offer a wide range of items and hence customer spending is higher at such outlets.

**High priced :** Chipotle specialises 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](https://www.marketing91.com/people-marketing-mix/) look out for cheaper alternatives.

**Limited amount in campaign:** Chipotle has spent a limited amount of marketing dollars and instituted very small national campaigns. Within the past few years, Chipotle did execute an advertising campaign that poked fun at ad agencies. Chipotle thought it was better to show where the burritos came from and the ingredients versus the burrito itself, which is the exact opposite of what the agency suggested.

**Franchise:** all of their locations are corporately owned. There are no franchise opportunities.

**Slow throughput:** Chipotle has a throughput problem, indeed, customers face frustrating to long queues. The chain needs to improve its customer service. The time in the past is gone today it is a different story and different customers life, needs and behavior.