

Abby Dobson

The 7 P's of Service Marketing

“Chipotle”

Ball State University

December 11, 2022

## **Introduction**

The name of my Target Case for this semester is Chipotle Mexican Grill. Steve Ells was the founder of Chipotle in 1993 in Denver, Colorado. Ells attended the Culinary Institute of America in Hyde Park, New York. That is where he gained all his cooking knowledge and experience. After graduating from culinary school, Ells became a line cook for Jeremiah Tower at Stars in San Francisco, California. Then in 1993, he took what he had learned in college and his career and opened the first Chipotle in Denver, Colorado, located very close to the University of Denver's campus, with an \$85,000 loan from his father (Daszkowski). The name, Chipotle, came from the Nahuatl/Mexican name for smoked, dried jalapeno chili pepper, hence why there is a chili pepper in their logo.

After success in the one store, he had opened in Denver, Ells originally planned to use all the funds he made to open a fine-dining restaurant. However, he saw potential in this business for further success and opened more locations. As of December 31st, 2021, Chipotle has 2,918 domestic and 44 international locations. The average or target customer at Chipotle is a white male between the ages of 25 and 34. These males tend to be married without children, likely living in an urban area. Chipotle's biggest competition is other Mexican Fast Food chains like Qdoba Mexican Eats or Taco Bell (Meisenzahl).

## **The 7 P's of Marketing**

### **Product**

Chipotle offers a simple product line-up offering tacos, burritos, and salads. Chipotle only has 53 ingredients in total available for the customers. However, there are up to 65,000 combinations of ingredients for customers to choose from while assembling the product, to make

their own food (Hedgecock). This makes customers customize their own food, rather than being strict with certain menu items like at other fast food restaurants.

The original Chipotle ingredients in 1993 were tacos, fajitas, and burritos. The fillings they had available were beans, lime-cilantro rice, salsa, guacamole, pepper with onions, chicken, pork, and beef. The meals averagely cost around \$5. The prices are slightly higher due to inflation and the economy, costing the average customer around \$8-9 per meal (Hedgecock). They have also added more to the menu than just burritos. They now have options like salads, burrito bowls, lifestyle bowls, quesadillas, barbacoa, chicken al pastor, different kinds of salsa, queso, sour cream, lettuce, and vegan sofritas. Everything else has stayed the same since 1993.

Chipotle strives to have all its products fresh and as local as possible, with no added hormones added to the ingredients (*Our values*). They like to allow the customers to see all their products in front of them and make them right in front of you to know nothing is happening to the food you are putting inside of you, which the customer love. Many of the food products in-store are sourced from local farmers rather than sourced from a nationwide company where they must ship or deliver frozen food to the company.

## **Place**

There are several types of physical locations operated by Chipotle. This can be seen as an advantage in the geographical factor of Chipotle, being available across the country and in other countries. These include stand-alone and in-line restaurants. Chipotle tends to have its restaurants located on college campuses and in big cities. Since college people are one of the main audiences for Chipotle, they tend to be in many college towns to have it close and convenient for them. In terms of distribution, Chipotle has 3,029 locations in the United States, covering 49 states and territories and 1,441 cities (ScrapeHero). Chipotle also has 28 locations in Canada and 12 in the

United Kingdom (“All Chipotle Mexican Grill Locations in Canada | Burritos, Fast Casual, Order Online”).

Traditionally customers must go to the physical location to be served, whether that is ordering in-store or online. Chipotle does offer delivery on the app, which can be seen as part of e-commerce, and has catering services that can be purchased on its website. Chipotle currently does not have any type of self-service technology. Most Chipotle locations operate between 11 a.m. and 10 p.m., with many open until 11 p.m. in large cities and high-traffic areas (“What Time Does Chipotle Open & Close?”). Locations that operate within a facility might have different hours depending on where they are located. Chipotles in airports are typically open from 10:45 am - 9:00 pm to help accommodate early departures and arrivals (“Chipotle Mexican Grill Airport Square: Burritos, Fast Casual, Order Online in North Wales, PA”).

### **Price**

Chipotle offers a great value price compared to other fast food restaurant franchises. Chipotle uses high-quality, natural, and organic ingredients in its food. Since they show a lot of care and quality in their food, Chipotle menu prices are usually higher than most other fast-food restaurants. (Chipotle, 2014; *Chipotle Menu Prices in 2019*, 2019; Lake, 2022) This helps provide it with good value for your overall price. Looking at the pricing tripod, which is competition, cost, or value-based pricing, Chipotle bases its pricing on value-based pricing.

Chipotle is one of the first national restaurant brands to fully commit to helping local farms by purchasing organic produce. They are also the first national restaurant brand to commit to using only responsibly raised meat with some of the highest animal welfare standards. (Chipotle, 2014) Their prices must be higher to still profit from the company to achieve these goals.

Recently Chipotle has been making headlines due to their recent price increase on the menu. This is due to the price increase of their current ingredients and inflationary pressures. This has been seen in many fast food restaurants and not just Chipotle. On the bright side, Chipotle is still far from being the most expensive compared to its rivals like Qdoba, Moe's Southwest Grill, and Baja Fresh. Chipotle is still the cheapest option out of all of them. Chipotle is about 10% cheaper than Qdoba and Moe's and 5% cheaper than Baja Fresh. These numbers still make Chipotle the "value leader" in the competition. (Chipotle, 2014; Lake, 2022) Chipotle's prices reflect its products' overall quality and value while still being at the competition's top, giving it higher customer satisfaction than its competitors, Qdoba, Moe's Southwest Grill, and Baja Fresh.

### **Promotion**

Chipotle has been successful and thoughtful with its promotion strategies, with only 2% of revenue spent on advertising (CandyReferral, 2017), Chipotle has been building on the value of 'Authenticity' by telling stories about its ingredients and employees across media touchpoints (Mehta, 2021).

Chipotle has also done many promotions with digital media. Since most consumers are Millennials and Gen-Z, Chipotle has used mixed digital platforms smartly. Chipotle uses Snapchat by introducing Chipotle Snapchat stickers for people on the app to use easily. Chipotle also uses Instagram to post photos and videos and start viral trends. For example, they launched a lid flip trick video of their employee on their Instagram page, which got over 1 million views (Mehta, 2021). This also got customers to promote their brand by word-of-mouth, talking about the trends on social media and participating in the trend themselves. This also allows them to promote to both their target audience and those outside their target audience.

Also, Chipotle has expanded its prospective audience to music festival fans by hosting its free music festival. Starting in 2011, Chipotle has been hosting “Cultivate.” This was a series of free festivals that were hosted throughout America. These free festivals include live music, celebrity chef demonstrations, artisanal food, and activities spreading awareness about sustainable agriculture. Their 2013 Cultivate festival drew more than 300,000 attendees across San Francisco, Denver and Chicago and was featured in local media (ReferralCandy, 2017). This helps build awareness of Chipotle overall and lasting relationships with music festival fans.

Overall, Chipotle has been very thoughtful with its promotion strategies by focusing mainly on social media to show brand awareness and starting trends to promote electronic word-of-mouth marketing. This form of marketing can become viral if the message is persuasive or funny enough. It also expands out of its targeted audience to build strong relationships with customers and vendors.

### **Process**

The overall process of chipotle is quite simple and easy to understand after doing it at least once. There are nine steps to take, from walking into the door and paying for your food to the process of chipotle. First, you walk into the restaurant. Not every restaurant is laid out the same way, but it is easy to understand where the line or queue starts, right by the large press made to warm up tortillas. The line depends on the time of day you go to order, usually around lunch or dinner. You could wait up to 30 minutes before ordering your food (*How to Order at Chipotle*, n.d.).

Once you are at the front of the line, a worker will make eye contact and ask what you want. You then have four options: burritos, tacos, a bowl, or a salad (Chipotle, 2019). After that, choose what rice and beans you want, white or brown or black or pinto beans. (Chipotle, 2019)

You then get to choose among your protein options chicken, steak, barbacoa, carnitas, or sofritas (tofu) (Chipotle, 2019). Then you choose from all the topping options, which include fresh tomato salsa (mild), roasted chili corn (medium), tomatillo green-chili salsa (medium hot), tomatillo red-chili Salsa (hot), sour cream, Monterrey jack cheese, or romaine lettuce (Chipotle, 2019). You also have the option of guacamole or queso, which is an additional cost to your meal. Then you are asked if you want any sides or beverages with your meal. All Chipotle locations offer either large or small bags of chips and fountain drinks. Select locations also serve alcohol. Finally, at the end of the line, you reach the cash register, where you then pay for your meal (*How to Order at Chipotle*, n.d.). Chipotle offers the option to order on the app and pick it up in the drive-through or on a to-go shelf. Chipotle currently does not have any self-service technology in-store.

### **Physical Environment**

All Chipotle restaurants are nearly identical in their appearance. The inside is designed like many other fast-food restaurants where you order down the line, like Subway or Qdoba. A half-wall divides the restaurant from the line so people can stand in line until they are queued to order. You then walk down the food line, telling the employee what you want in your order. Then at the end of the line, you are at the cash register where you will pay for your order, and then usually close by is where you can fill up your drink and get utensils and condiments. Then there is an area filled with tables and chairs to sit at, and many restaurants also have outside seating available (“Chipotle Mexican Grill”).

Inside the restaurant, Chipotle has a very modern look. Mainly only using the colors gray, brown, red, and white. They use these colors to follow their brand and match their logo. Red is also used to increase the customer’s appetite and attract attention (“Chipotle Debuts New

Restaurant Design to Support Its \$1 Billion Digital Business - Dec 19, 2019”). The inside of Chipotle is always kept clean, both inside and outside. The trashcans are never overflowing, and the condiments/utensils are always filled. Chipotle has a playlist on Spotify that they play at every restaurant, but it is available on Spotify for any customer to listen to whenever (“Chipotle Music”). This gives a sense to the customers when listening to the playlist to think of Chipotle and want to eat at Chipotle when hearing the music, they play in the restaurant.

## **People**

The people at Chipotle are known for their friendly, kind customer service. Many people who work at Chipotle are very satisfied with the company. Looking back at 2021, among all the hourly workers, Chipotle reported a turnover rate of 194%, up from 141% that was reported the year before. (“Turnover Skyrocketed at Chipotle in 2021, despite Investments in People”) While being an employee at Chipotle, you also get many benefits from offering competitive pay to reward all their hard-working team members with promotions and bonuses when the manager decides. They also offer benefits for all their part and full-time employees. This includes medical, dental, pet, and vision insurance, adoption assistance, and wellness programs, and every shift, you get a free meal. (“Benefits”) Since the employees, satisfaction, and loyalty are so high from all the benefits and promotions they receive, the customer’s satisfaction is also high. No prior skills are needed from an employee when going through the interview process.

Another thing Chipotle has recently publicized is that they have been improving on inclusion and diversity within the company. Chipotle recently declared at the end of 2021 that 53% of their US-based employees were female, and 70% included racial and ethnic minorities. (“Turnover Skyrocketed at Chipotle in 2021, despite Investments in People”) Chipotle also has an Instagram account called “People of Chipotle,” where they can highlight and share



information about their employees around all stores and locations. This also gives the public a view of what it is like to work within the Chipotle industry.

### **Conclusion and Discussion**

In conclusion, after reviewing the seven P's of Chipotle, product, place, price, promotion, process, physical environment, and people. One of the P's that Chipotle could improve on to increase customer satisfaction is the product. In 2018, Chipotle agreed to pay \$25 million in criminal fines to resolve criminal charges since many of Chipotle food was giving customers food born illnesses since it sickened more than 1,1000 people across the United States in 2018. (Affairs) This information made many customers and loyal customers to not eat at Chipotle anymore due to the high number of food born illnesses they were giving customers across the United States, and that they were only paying the money to make the criminal charges go away, but not doing anything different with the food.

Another P Chipotle could focus on to improve customer satisfaction and loyalty is price. Chipotle has recently been raising their prices on the food items on the menu and will be asked to pay an additional \$.58 to \$1.04 on top of the prices they are paying right now. (Meisenzahl) These recent price raises are not making customers happy, as their burritos are now averaging around \$15, which is a lot for one fast-food meal.

It is common knowledge that for any service business, big or small, customer satisfaction is a key factor in customer loyalty and growing your brand. Although these are just seven P's, there are more P's in customer service, like partnership, packing, professionalism, patience, etc. These factors a lot play a part in customer satisfaction and loyalty to the brand.

## References

- “All Chipotle Mexican Grill Locations in Canada | Burritos, Fast Casual, Order Online.”  
Locations.chipotle.ca, locations.chipotle.ca/.
- “Benefits.” Chipotle.com, 2020, jobs.chipotle.com/benefits.
- “Chipotle Mexican Grill Airport Square: Burritos, Fast Casual, Order Online in North Wales, PA.” Locations.chipotle.com, locations.chipotle.com/pa/north-wales/30-airport-square.  
Accessed 23 Sept. 2022.
- “Turnover Skyrocketed at Chipotle in 2021, despite Investments in People.” Nation’s Restaurant News, 22 Apr. 2022, www.nrn.com/fast-casual/turnover-skyrocketed-chipotle-2021-despite-investments-people.
- “What Time Does Chipotle Open & Close?” Thrillist, www.thrillist.com/eat/nation/what-time-does-chipotle-close. Accessed 23 Sept. 2022.
- Affairs, Office of Regulatory. “Chipotle Mexican Grill Agrees to Pay \$25 Million Fine to Resolve Charges Stemming from More than 1,100 Cases of Foodborne Illness.” DOJ, 22 Apr. 2020, www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/press-releases/chipotle-mexican-grill-agrees-pay-25-million-fine-resolve-charges-stemming-more-1100-cases-foodborne.
- Chipotle Menu Prices in 2019. (2019). Fast Food Menu Prices.  
<https://www.fastfoodmenuprices.com/chipotle-prices/>
- Chipotle. (2014). Chipotle — food with integrity. Chipotle.com.  
<https://www.chipotle.com/values>
- Chipotle. (2019). Chipotle Mexican Grill. Chipotle. <https://www.chipotle.com/>

- Daszkowski, D. (2019, December 6). Chipotle Mexican Grill's humble beginning. The Balance Small Business. Retrieved September 4, 2022, from <https://www.thebalancesmb.com/history-of-chipotle-mexican-grill-3973222>
- Hedgecock, S. (2014, July 13). Chipotle turns 21 years old: Here's what the giant burritos were like at the beginning. Bustle. Retrieved September 14, 2022, from <https://www.bustle.com/articles/31479-chipotle-turns-21-years-old-heres-what-the-giant-burritos-were-like-at-the-beginning>
- How to Order at Chipotle. (n.d.). The Awk(Word) Wiki. Retrieved October 13, 2022, from [https://the-awkword.fandom.com/wiki/How\\_to\\_Order\\_at\\_Chipotle](https://the-awkword.fandom.com/wiki/How_to_Order_at_Chipotle)
- Lake, A. (2022, July 28). Chipotle Is Getting This Much More Expensive In August. Eat This Not That. <https://www.eatthis.com/news-chipotle-price-increase-august/>
- Mehta, K. (2021, July 11). Chipotle Business Model & Marketing Strategy - The Strategy Story. TheStrategyStory. <https://thestrategystory.com/2021/07/11/chipotle-business-model-marketing-strategy/>
- Meisenzahl, M. (2021, August 29). The typical chipotle customer is a white millennial who spends their money on skincare and wine, according to the data. Business Insider. Retrieved September 4, 2022, from <https://www.businessinsider.com/typical-chipotle-customer-demographic-white-married-millennial-2021-8>
- Meisenzahl, Mary. "Chipotle Is Raising Prices Again and Customers Could Be Asked to Pay up to a Dollar More per Burrito in Some Locations." Business Insider, [www.businessinsider.com/chipotle-is-raising-prices-again-how-much-2022-7](http://www.businessinsider.com/chipotle-is-raising-prices-again-how-much-2022-7).
- Our values. Chipotle. (n.d.). Retrieved September 14, 2022, from <https://www.chipotle.com/values>

ReferralCandy. (2017, June 27). How Chipotle Work Their Magic Through Word-Of-Mouth Marketing. Medium. <https://medium.com/@ReferralCandy/how-chipotle-work-their-magic-through-word-of-mouth-marketing-95fc77c0463b>

Reiff, N. (2022, March 25). How chipotle makes money: Digital sales are growing fast. Investopedia. Retrieved September 4, 2022, from <https://www.investopedia.com/how-chipotle-makes-money-4799259>

ScrapeHero. "Number of Chipotle Locations in the United States - February 2020." ScrapeHero, ScrapeHero, 10 Feb. 2020, [www.scrapehero.com/location-reports/Chipotle-USA/](http://www.scrapehero.com/location-reports/Chipotle-USA/).