

Sorry, no carnitas: balancing “Food with Integrity” and growth at Chipotle

Rebecca J. Morris

Dr Rebecca J. Morris is Assistant Professor at the Westfield State University, Westfield, Massachusetts, USA.

Sorry, No Carnitas. Due to supply constraints, we are currently unable to serve our Responsibly Raised™ pork. Trust us, we're just as disappointed as you, and as soon as we get it back, we'll let the world know (Chipotle Mexican Grill)[1].

Did You Know? In the US, most pigs are raised in factory farms, never going outside. At Chipotle our carnitas comes from pigs raised humanely and without the use of antibiotics (Chipotle.com).

“Last time I went to Chipotle they didn't have carnitas. This time they didn't have guac.” excerpt from a suicide note (Tom Ceraulo, Tweeted on January 25, 2015).

In January, 2015, executives at Chipotle decided to stop serving pork at 600 of its restaurants nationwide due to animal-welfare violations by one of the burrito chain's key suppliers. Chipotle learned of the violation during a routine audit of the supplier's operations. “This is fundamentally an animal-welfare decision, and it's rooted in our unwillingness to compromise our standards where animal welfare is concerned,” explained Chipotle's communication director (Ferdman, 2015). Unhappy customers took to Facebook and Twitter to mourn the loss of a favored menu item.

“The Great Chipotle Carnitas Famine of 2015” was not expected to end quickly even though another of Chipotle's pork suppliers (Niman Ranch of Iowa) was able to increase its shipments by 15-20 percent. Replacement suppliers were difficult to find as fewer than five percent of pigs raised in the US met Chipotle's standards (Shah, 2015).

Analysts expressed concern that the problems Chipotle faced in securing sustainable supplies would most likely worsen due to Chipotle's own rapid growth plans (see Figure 1) and the emerging trend for other fast-food chains to seek out sustainably raised ingredients. Could Chipotle maintain its commitment to “Food with Integrity” when the supply of sustainable foods failed to meet demand or should the company just buy available ingredients regardless of farming methods?

Ells and “Food with Integrity”

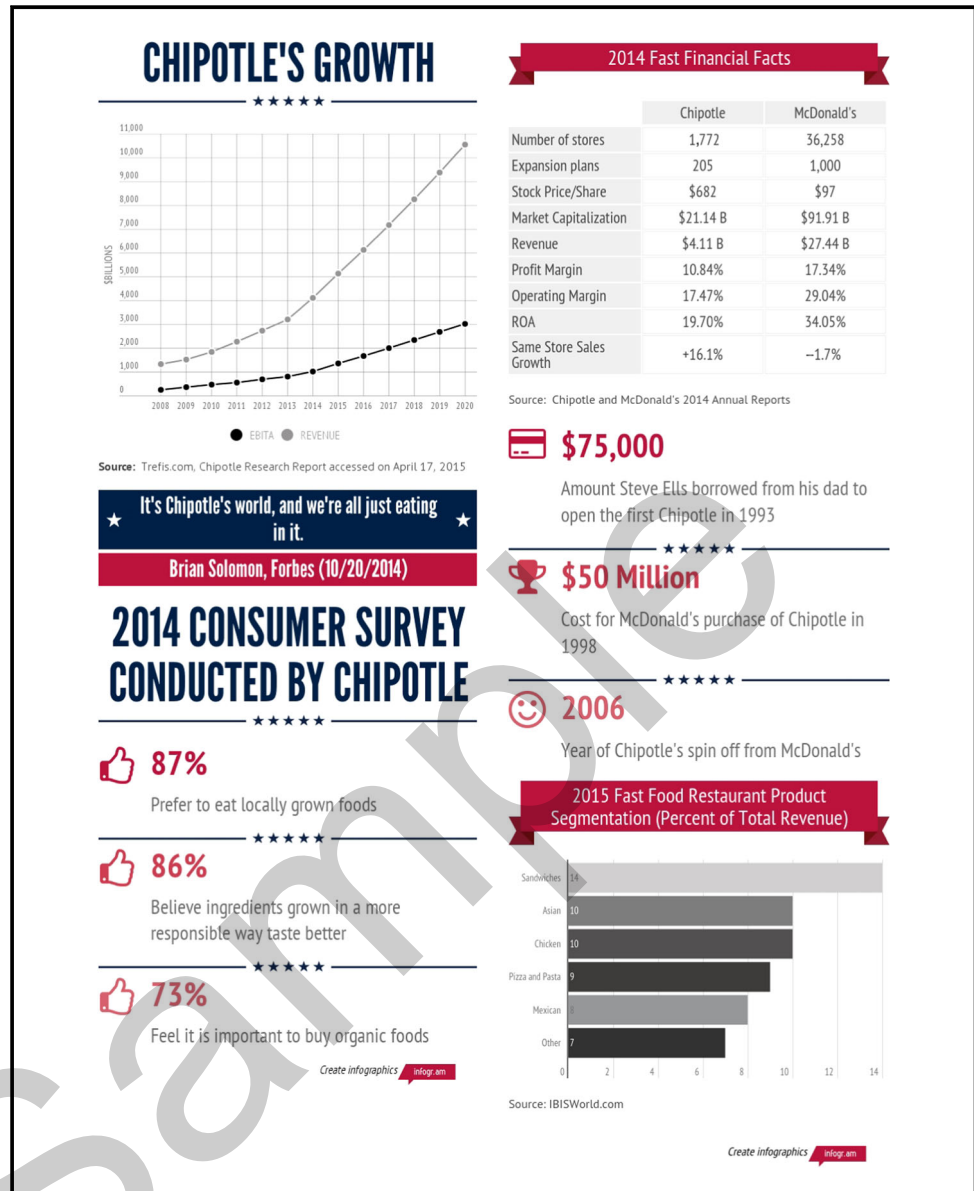
Steve Ells, Chipotle CEO and founder, was a chef with a passion for cooking great food and a belief that high-quality food and engaged workers could transform the fast food industry. After reading about an Iowa farmer (Niman Ranch) that raised pigs in a natural way, Ells decided to feature this pork in Chipotle even though it was more expensive. Ells reflected on this decision in an open letter on the Chipotle website:

As Chipotle began to grow and expand, I learned quite a bit about the way most of the food in the US is produced and processed – and what I learned was pretty grim. Pigs are raised in stark confinement, produce is grown on vast factory farms with little or no regard for the environment, and dairy cows are confined and injected with hormones that can make them ill in an effort to increase their milk production. But I also learned that there is a better way (Ells, undated letter).



Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision making. The author/s may have disguised names; financial and other recognizable information to protect confidentiality.

Figure 1 Chipotle fast facts



The pork from Niman's Ranch was tastier and customers did not seem to mind the higher prices. As Chipotle grew, Niman Ranch attempted to keep up by adding more and more small pig farms, but ultimately could not produce enough pork to meet Chipotle's demand. Other suppliers needed to be found.

Fast food woes

Although an improving economy in 2015 and consumers' continued interest in convenience suggested good times ahead for the restaurant industry, the fast-food segment faced slow-growth or declining prospects. Consumer concerns about the health issues associated with the meaty, greasy fast food industry caused many consumers to avoid fast foods. Traditional fast-food companies like McDonald's were losing market share to fast casual restaurant chains

(like Chipotle) that emphasized freshness, health and trustworthy sourcing (Alvarez, 2015). Ells criticized fast food rivals saying:

The traditional fast food sector has traded food quality and taste for low-cost and ease of preparation. It has aggressively marked low prices to entice customers to visit more often which has resulted in the need to reduce cost by cheapening ingredients and by compromising the overall dining experience. The gimmicks that have driven the fast food sector for years – dollar menus, limited time offers and merchandising partnerships – are not producing results like they used to as consumers simply want better tasting, nutritious food and a more compelling experience, not gimmicks (Wahba, 2014).

Values vs growth?

Chipotle's "Food with Integrity" initiative faced many hurdles. Locally grown food might taste fresher and required less fuel to transport, but local farms were rarely large enough to fulfill the supply needs of even one of the company's restaurants, let alone Chipotle's 1,772 stores. Scalability problems in sustainable agricultural production and increased interest in healthy ingredients by other restaurant chains resulted in supply shortages and higher prices that were expected to worsen.

Chipotle had made tradeoffs in the past when supply did not meet demand, serving conventionally raised beef when sufficient antibiotic, hormone-free beef was unavailable. But when confronted with a shortage of sustainable pork, Chipotle chose to stop selling carnitas because the firm believed conventional agricultural practices for pigs were much worse than that for cows (Ferdman, 2015). Chipotle also contemplated selling burritos without guacamole if climate change caused a reduction in the supply of avocados or if prices became too high (Winograd, 2014).

Ells felt that the "Food with Integrity" philosophy was an integral part of Chipotle's brand identity, but were supply chain problems going to force tradeoffs? Was it still possible to continue Chipotle's rapid growth while preserving food integrity?

Note

1. Sign posted at many Chipotle restaurants in January, 2015 (Twitter).

References

- Alvarez, A. (2015), "Fast food restaurants in the US", IBIS World Industry Report, February.
- Ells, S. (undated letter), "Letter from Steve, Steve's Story", available at: www.chipotle.com (accessed April 15, 2015).
- Ferdman, R.A. (2015), "Pulled pork a matter of animal-welfare ethics, Chipotle says," *The Washington Post*, January 15, p. A-14.
- Shah, K. (2015), "Chipotle drops bomb that carnitas aren't coming back anytime soon," April 9, available at: <http://eater.com> (accessed April 15, 2015).
- Wahba, P. (2014), "Chipotle co-CEO rips into fast-food rivals, slams their 'short-sighted' strategies," October 21, available at: fortune.com (accessed April 15, 2015).
- Winograd, D. (2014), "Climate change could mean no guac for you – at least at Chipotle," *Time*, March 8, p. 1.

Corresponding author

Dr Rebecca J. Morris can be contacted at: rmorris@westfield.ma.edu