PR Case Study: Chipotle E. Coli Outbreaks

From mid October 2015 to early December 2015, a total of 60 people were affected by two E. coli outbreaks, both related to Chipotle Mexican Grill. In the initial, larger outbreak, 55 people were infected in a total of 11 states. 21 of the victims were hospitalized with no deaths. According to the Center for Disease Control and the U.S. Food and Drug Administration, the first 22 people to get sick were in Oregon and Washington state, causing 43 Chipotle restaurants in the surrounding areas to close for over a month while awaiting results and recommendations from health authorities. During that time, more victims surfaced in California, Delaware, Illinois, Kentucky, Maryland, Minnesota, New York, Ohio and Pennsylvania (FDA investigates, 2016).

In November 2015, a smaller outbreak of a different strain of E. coli began in Kansas, North Dakota and Oklahoma. Five people were infected in this outbreak with 1 person hospitalized and no deaths. The final Chipotle E. coli case was reported on December 1, ending the 2-month-long stretch of illnesses (Multiple outbreaks, 2016).

This health crisis caused many people to question the Chipotle company motto and guiding philosophy: Food with Integrity. According to their website, “in 2013, Chipotle made headlines for becoming the first national restaurant chain to voluntarily disclose the presence of GMOs in [their] food” and began a complete overhaul of its supply chain in order to eliminate genetically modified organisms from its menu (G-M-Over it, 2016). In 2015, the transition was completed and became a primary staple of the Chipotle brand. When a restaurant focuses on the health and integrity of their food, consumers expect a high level of safety and security. The E. Coli outbreak broke that important company-customer trust relationship; which Chipotle is still working on regaining to this day.
Although the company still has more to do in order to repair the damage done to its brand, Chipotle Mexican Grill’s recovery campaign has been effective based on their quick and extensive efforts.

Research

The Center for Disease Control, U.S. Food and Drug Administration, U.S. Department of Agriculture’s Food Safety and Inspection Service and public health officials in several states investigated the two Chipotle E. coli outbreaks. According to the Center for Disease Control’s report on the investigation, “the epidemiologic evidence collected during the investigation suggested that a common meal item or ingredient served at Chipotle Mexican Grill restaurants was a likely source of both outbreaks” (Multistate outbreaks, 2016).

Because this was a health related issue, investigators used quantitative, experimental research to discover more about the illnesses. Specifically, investigators used whole genome sequencing (WGS) to find detailed information about the DNA fingerprints of the bacteria that caused the illnesses. The U.S. Food and Drug Administration explains whole genome sequencing as an advanced laboratory technique that “reveals the complete DNA make-up of an organism, enabling us to better understand variations both within and between species” (Whole genome, 2016). This advanced research technique is what scientists use when investigating foodborne illness outbreaks. “If the pathogens found in the food or food production environment match the pathogens from the sick patients, a reliable like between the two can be made.”

Right at the start of the outbreak and the investigations, Chipotle took a number of steps to help assist the efforts of health authorities. The most immediate action was the closing of 43 restaurants in Oregon and Washington state, simply out of caution. Only eight restaurants had
drawn concern at that point, but the company closed all restaurants in the surrounding areas while the investigators searched for a cause. The Oregon Health Authority recommended detailed, strict criteria of health and safety actions to implement before the reopening of the restaurants. According to a statement released by the Oregon Health Authority detailing the recommendations, OHA and its public health partners advised every Chipotle in the state to dispose of all food items, sanitize each facility, and bring in all new foods before reopening, to select high-risk food items to be pretested before being delivered to the restaurants, that all fresh produce will be carefully rinsed and sanitized, and that county public health food safety inspectors will visit each restaurant to verify these actions (Chipotle agrees, 2015). On November 9, Chipotle agreed to the criteria and succeeded in implementing them.

On February 1, 2016, the Center for Disease Control officially closed their investigations on both E. coli outbreaks. The investigators weren’t able to find what specifically caused the problems. “A review of Chipotle’s distribution records by state and federal regulatory officials was unable to identify a single food item or ingredient that could explain either outbreak” (Multiple outbreaks, 2016).

The most notable effect that Chipotle Mexican Grill faced after the crisis was a staggering plummet in the company’s earnings and stock values. According to a press release by Chipotle Mexican Grill, Inc. detailing their 2015 Fourth Quarter Results, there were huge decreases across the board. The press release announced that compared to 2014’s Fourth Quarter Results, revenue decreased 6.8% to $997.5 million, net income decreased 44% to $67.9 million, diluted earnings per share decreased 43.5% to $2.17, among many other statistics (Chipotle Mexican, 2016, February).
Objectives

Within the past year, Chipotle Mexican Grill has focused on improving public opinion, has hired a new PR firm and has launched multiple new marketing campaigns. These changes are working together to form a single campaign focused on recovery. Chipotle’s objectives with the recovery campaign are to come back from the damage done on their consumer confidence and their sales. They started with a focus on the attitudinal objective to improve their consumer confidence because that eventually morphs into the behavioral objective of getting those customers to spend their money at Chipotle restaurants again. These were a successful choice of objectives to work toward.

Chris Arnold, a Chipotle spokesman explained that their “focus now continues to be on three things: marketing programs to continue to bring customers back to our restaurants, providing the best customer experience we can, and rebuilding the strength of our economic model” (Gonzalez, 2016).

Programming

After the crisis, Chipotle worked on persuasive communication through all of their programing tactics. In their persuasive communication, Chipotle focused on the clarity of their message of food safety in order to gain back the public’s confidence. They reinforced the new levels of safety throughout all of their campaigning.

An overlapping theme of Chipotle’s programming tactics was that their food is safe. They did a lot to get the message out that their ingredients are now held to an extremely high standard that they are proud of and that their customers deserve. Through their work on public opinion, marketing and public relations, Chipotle successfully supported that theme.
Before Chipotle got to any marketing or PR campaigns after the crisis, they did what was most important to rebuilding the brand’s public opinion. Chipotle’s co-Chief Executive and founder Steve Ells apologized. Ells appeared on NBC’s “Today” show and said, “I’m sorry for the people who got sick. They are having a tough time, and I feel terrible about that. We’re doing a lot to rectify this and to make sure this doesn’t happen again” (Hufford & Jargon, 2016). Ells didn’t talk in detail about the company’s new food-safety procedures in this interview, but he said that they would be “10 to 15 years ahead of industry norms” and that Chipotle will become the “safest place to eat” (Hufford & Jargon, 2016). Owning up to their fault in the crisis is exactly what Chipotle needed to do. Too many companies don’t take blame when managing a crisis which only makes the public feel that the company doesn’t care about the damage. This statement on national television was a great start to Chipotle’s recovery campaign.

Steve Ells elaborated more on the new food safety procedures in a press release published in January. “Over the last few months, we have been implementing an enhanced food safety plan that will establish Chipotle as an industry leader in food safety.” Ells further explained that “most of the new protocols are already in place, thanks to the hard work and dedication of our excellent restaurant teams” and that they also “implemented unprecedented food safety standards with our suppliers” (Chipotle Mexican, 2016, January).

The same press release detailed the enhanced food safety program. The program’s components include a DNA-based testing program for ingredients that far exceeds requirements of state and federal regulatory agencies and industry standards, changes to food prep and food handling practices, paid sick leave helping to ensure that ill employees have no incentive to work
while ill and enhanced internal training to ensure that all employees thoroughly understand the company’s high standards for food safety and food handling (Chipotle Mexican, 2016, January).

On February 8, 2016 Chipotle hosted a companywide staff meeting about the food safety procedures which closed all of their stores from 11 a.m. to 3 p.m. The meeting took place at the Chipotle headquarters in Denver and was broadcasted, live-tweeted and Periscoped nationwide. This meeting was very important to public opinion because it showed consumers that they care enough to close the doors to their restaurants to discuss the matter with all employees. The meeting caused all Chipotles to be closed during lunch time on a Monday, so they offered a “rain check” to customers. On their website they said, “if we messed up your lunch plans today, follow the steps and we’ll hook you up” (Raincheck, 2016) with directions on how to text in to receive a code for a free burrito.

Programming - Public Relations

At the end of 2015 Chipotle officially parted ways with Edelman, their agency of record for national PR that had been with them since 2008. Chipotle’s communications director, Chris Arnold, told PRWeek via email, “we agreed in early October to part ways with Edelman at the end of the year because of a sizeable piece of business they were taking on that presents a conflict” (Bradley, 2016).

In March 2016, Chipotle brought on Burson-Marsteller as its new United States PR AOR (Tannahill, 2015). Burson-Marsteller is a very reputable company when dealing with crisis management. They are the public relations firm who set the gold standard for crisis management PR in the 1980s when they managed Tylenol through their huge contamination issue. That
incident is widely known as one of the best PR reactions to a crisis, and Burson-Marsteller is responsible. Chipotle hired them in hopes for the same success, which was a great move.

**Programming - Marketing**

Since March 2016, Chipotle has rolled out an incredible amount of marketing and promotions campaigns aimed at urging customers to give the restaurant another chance. In the past, Chipotle would publicize around eight marketing campaigns a year, but there have already been 10 campaigns announced in the past six months. They are definitely pushing hard to get customers back into their stores.

The Chiptopia Summer Rewards program was Chipotle’s most successful marketing campaign in their recovery methods. An official press release unveiling the program explained that from July through September, customers participating in Chiptopia could earn free rewards simply by eating the food they already love. There were three different status levels: Mild Medium and Hot, earned by visiting Chipotle stores. “Just four visits, with a qualifying purchase during each, earns Mild status and a free entrée” and so on (Chipotle Mexican, 2016, June). Mark Crumpacker, chief creative and development officer at Chipotle said that they “created Chiptopia to reward [their] most loyal customers who continue to support [their] efforts to cultivate a better world” (Chipotle Mexican, 2016, June). CLSA equities analyst Jeremy Scott told *Inc. Magazine* that he believes Chiptopia has been the key to Chipotle’s recovery. He explained that “they’ve been able to accumulate 3.6 million members in a span of weeks. It took Starbucks and Dunkin’ two years to achieve those numbers” (Gonzalez, 2016).

**Evaluation**
Because the campaign is still in full force, the only way that Chipotle has evaluated their success is through financial results. Since the incident, there have only been two quarters to analyze. As expected, the first quarter 2016 results (January 1, 2016 through March 31, 2016) were extremely negative. This was the first quarter to show the effect of the E. coli crisis. The second quarter 2016 results (April 1, 2016 through June 30, 2016) were also negative, but showed a notable improvement from the first quarter in all categories.

“We returned to profitability, and saw a modest improvement in comp sales trends in the second quarter,” Steve Ells, Chipotle’s co-Chief Executive and founder, commented on the quarter’s results. “Our entire company is focused on restoring customer trust and re-establishing customer frequency” (Chipotle Mexican, 2016, July).

Chipotle will continue to deal with the financial blow that this crisis caused, but they are improving month by month. Through their quick and extensive efforts in persuasive communication, public opinion, marketing and public relations, Chipotle Mexican Grill’s recovery campaign has been effective.
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