

Can E.Coli Scare Cost Chipotle Its 'Integrity' in Long-Term?

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Chipotle Mexican Grill's "Food With Integrity" reputation is being tested by an E. coli outbreak, and while it appears the chain is handling it well, only time will tell if the company retains its cachet.

The fast-casual chain, where people line up for GMO-free burritos and tacos, is beefing up its food-safety efforts after eight of its more than 1,900 restaurants were linked to an E. coli outbreak.

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It is the latest food concern at the chain, which is seen as a leader in fresh, sustainably grown and ethically raised food. Earlier this year, some 17 restaurants were linked to a salmonella outbreak in Minnesota, weeks after cases of norovirus were linked to a single California location. Chipotle also voluntarily stopped serving carnitas at more than 33% of its restaurants for months after suspending one of its main pork suppliers that didn't meet its ethical standards.

"In this day and age, Chipotle or any company needs to recognize that people are going to find out. It's better for them to engage in the conversation and be as up front as they can," said Denise Lee Yohn, a consultant who works with restaurants and retailers on brand strategy. She worked at Jack in the Box during that chain's 1993 E. coli outbreak, which was traced to undercooked hamburger and led to the deaths of four children.

Spokesman Chris Arnold said Chipotle has not retained any new firms to assist in its latest crisis, but it already has an unnamed firm handling crisis and issues management. Reports of the outbreak began appearing late last month. Chipotle quickly shut stores in the affected area and stopped sending brand tweets. By Tuesday afternoon, after shutting the stores, the chain became more vocal about the situation, issuing a press release with a detailed strategy and quotes from Chairman and Co-CEO Steve Ells on Nov. 3. It posted additional details about the matter to its main website beginning Nov. 4.

"I think they are communicating the appropriate way, the appropriate amount at this time," said Ms. Yohn, who said that until the full extent of the problem is known, it is hard to say how much the situation may damage Chipotle's reputation. "They have such strong brand equity and such a loyal customer following and the benefit of having that is once something like this goes wrong ... you have people who are going to cheer you on when you do it right."

"If the outbreak is found to be not their fault, then I think the overall good equity they've banked will carry them through," said Carol Phillips, president of brand consulting firm Brand Amplitude. "In the short run, Chipotle will probably lose some customers, but it's unlikely to be their most loyal fans," she said, adding that if competitors are smart, they will keep quiet about the situation and not try to capitalize on it.

Using so many fresh ingredients could be an inherent risk for Chipotle and for other chains that have begun to use and promote the use of fresh and local ingredients. "It's probably going to be a bigger issue as more and more restaurants move in this direction," Ms. Yohn said.

In this article: