

Marketing 440- Global Marketing

Marketing Plan for Chipotle in Norway

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I. Overview of the Firm

A. History

Steve Ells, the creator of Chipotle, went to the University of Boulder Colorado and graduated from the Culinary Institute of America in 1990. After graduation he moved to San Francisco to work as a chef in a legendary restaurant that emphasized fresh ingredients. Ells developed a love for the Mexican restaurants in the city while living there--especially the large, foil-wrapped burritos. This was much different than the form of burritos he came across while studying in Boulder, Colorado. Ells moved back to Colorado and opened the first Chipotle in July of 1993 in Denver at 1644 East Evans Avenue near the campus of the University of Denver. He based Chipotle's products off of his love for this type of burrito (Stock, Kyle).

Chipotle was started off of an \$80,000 loan and a \$85,000 investment by Ells father. Ells's father got his loan back within a few short months because Chipotle was such a big hit. The second store opened in February 1995 and then six more opened in 1996. All of these were in the Denver area. Around this time Chipotle was making just over \$1 million in annual sales. 6 more opened in the Denver area in 1997--making a total of 14 Chipotles in only 4 years. In February 1998, after many business plan's and meetings, McDonald's Corporation bought up a minority stake in Chipotle. Chipotle began to expand out of Colorado with the help of McDonalds expertise and money. Two were opened in Kansas City in 1998 and many different markets around the country were entered in 1999. By 1999 there were 37 Chipotles in the country and Chipotle had revenues around \$31 million. McDonald's increased its stake in Chipotle to more than

50% in 1999. The store really expanded geographically over the year 2000. By the end of 2000 the store count was at 100. At the end of 2001 there was 175. Estimates show that Chipotle's revenues reached \$145 million at the end of 2001. Around 55 restaurants opened in 2002 and at the end of 2003 there were 300 Chipotles in the country. Revenues at this time were estimated at \$321 million. This means, geographically and fiscally, Chipotle was growing at around 20% per year. By late 2004 there were nearly 400 stores in the country ("Reference for Business"). Chipotle's growth has continued this upward trend over the past years as well. From the first quarter of 2014 to the first quarter of 2015 Chipotle's overall revenue jumped up 20.4%. This means revenues are currently at a whopping \$1.09 billion. 49 new restaurants were opened in this quarter making the total count of restaurants reach 1,831. Throughout 2015 Chipotle plans on opening 190-205 more restaurants in places around the country and around the globe. 19 of these restaurants are outside of the United States. Chipotle's first international market was in Toronto, Canada in 2008. Its first European expansion was in May 2010 to London ("Chipotle Mexican Grill").

Chipotle currently has many resources at its disposal from both its personal ownership and from McDonald's Corporation's 90% ownership. Its assets as of March 31, 2015 include \$542,957,000 in cash and cash equivalents, \$21,480,000 in accounts receivable, \$16,052,000 worth of inventory, \$19,377,000 worth of current deferred tax asset, \$37,252,000 worth of prepaid expenses and other current assets, \$37,252,000 worth of income tax receivables, and \$347,577,000 in investments. Chipotle also has \$1,119,469,000 put into investments such as property and equipment. These are physical

resources such as the 1,831 stores and all of the materials inside the stores to make the products. The company has \$531,082 in long-term assets and \$21,939 in goodwill. In total, Chipotle has \$2,703,719,000 assets and some of these are the worth of the physically resources and assets (“Chipotle Mexican Grill). Chipotle is currently present in the United States, Canada, France, Germany and United Kingdom marketplaces.

The mission statement of Chipotle is “Food with Integrity” and (“Whole or Nothing”). The promise to always source the very best ingredients and prepare them by hand. They treat the animals humanely and the soil and earth humanely. They believe that there is a connection between how food is raised and prepared and how it tastes. Their vision is to change the face of the fast food industry and the way food is processed and consumed.

B. Company Goals

The primary goal of the Chipotle both domestically and abroad is to live up to its mission “Food with Integrity” every day. It’s goal is to “cultivate a better world.” They say this is to change the face of fast food both domestically and across the globe. “The Scarecrow” is one way they have spread this message across all of their markets. The goal is to provide consumers with local, natural, and ethical foods always striving to improve the way the food is grown and made by hand in each Chipotle restaurant. In turn, they hope this spreads from the domestic, United States market place to other countries and helps suade other restaurants to behave in the same manner when producing their products. (“Whole or Nothing”). They are “responsibly raising the bar” so other food producers follow in their steps to make a more healthy sustainable world.

Chipotle also has committed to a goal of creating sustainable agriculture. This goal targets our future generations to practice healthy ways of living for both now and the future. By using the nonprofit Chipotle Cultivate Foundation to support local farmers and educating about positive food practices Chipotle is working to change this industry both domestically and globally.

II. Market Analysis

A. Target Market

Chipotle's target market are millennials, young professionals, college students, and young active families. They are both male and female with ages ranging from 18-34. Since Chipotle is slightly higher priced their consumers are mostly in the middle class to wealthy income level. The lifestyles of the consumers are busy and they do not mind indulging in a special meal such as Chipotle on occasion. The convenience and speed of Chipotle is what the target market values. Due to the high quality local ingredients that Chipotle uses the target market also values healthy eating. These individuals are well educated with at least a Bachelor's degree (Chipotle Target).

Norwegians have very busy lifestyles and value convenience when it comes to fast food. Therefore they would eat a meal while they are on the go by stopping into a restaurant or grabbing a meal on their way back to the office or school. They buy their food in a wide range of groups from a group of one to five friends or a small family group. Stand alone fast food restaurants have seen the most growth recently because of the easy access it offers to consumers (Fast Food in Norway).

B. Overview of Total Product Category

The fast food industry is in the growth stage in Norway. A great deal of chains such as Chipotle are considering expanding into the country. While the industry as a whole has seen less growth than in previous years it is definitely not declining or in the mature stage. Consumers continue to purchase fast food on a regular basis.

The fast food industry in Norway has seen less growth in 2013 but is expected to grow in the future. The main reason for the lack of growth in the industry is the bad reputation a lot of restaurants have for their lack of appropriate hygiene. Another trend that has caused slower growth is the health food and organic eating lifestyle that most consumers have adopted (Fast Food in Norway). A few restaurants have tried to adopt new products which embody this trend. Chipotle has the ability to capture the consumers in the market that value both healthy food but also convenience.

Currently Chipotle is not in the market in Norway and therefore has no current product penetration. Considering the trends discussed above it is likely that Chipotle will be able to gain some market share fairly quickly after the initial launch.

C. Competition

There are quite a few competitors for Chipotle in the Norwegian market. McDonalds, Subway, Burger King and Pizza Hut are some fellow American companies who have expanded into this market. McDonalds is the leader with the most market share but the pizza sector also seems to be favorable. There are also a number of Norwegian companies who hold market share for example Statoil which is a gas station follows McDonalds with 9.4% market share. In fact a number of convenience stores such as Narvesen and Deli de Luca hold a lot of market share.

There are a total of 2439 chained convenience stores in the fast food sector. This is more than any other sector in the industry. They also have the most forecasted sales in the future and would be a great threat to any new entrants. The stores provide a wide variety of products as well as sheer convenience which Norwegians value greatly. These convenience stores or sometimes petrol stations are much more elaborate than the ones in the U.S. Chipotle may also face competition in the full service dine in restaurant considering that Norway does have 83 already established independent Latin American restaurants. Chipotle would have to stress it's convenience to consumers in order to gain some of the already established restaurant's market share (portal).

D. Current Market Size

The fast food market had sales of 1.1 Billion in USD in 2013. When looking at comparable fast food companies already in the Norwegian market one can see that Subway holds a 7% of the market share with 40 restaurants throughout the country. This gives one restaurant a market share of .00175. When we apply this to the market size the projected sales for one Chipotle restaurant would be \$1,925,000.00 (portal).

E. Market Potential

There is a strong potential for Chipotle to enter the Norwegian market. McDonalds is the leader in the market with a share of 19% share however there is health trend amongst the citizens. Therefore Subway has seen rapid growth being considered a healthy fast food alternative seeing a 34% increase in sales in 2013. Due to the fact that Chipotle is considered to be a healthy alternative they could expect to gain around the same market share if they establish as many restaurants as Subway. Even with just expanding one restaurant Chipotle has the

potential to gain .0175 % of the market. Another strong presence in the fast food market is the independent pizza chains. However since Chipotle's products are differentiated from pizza, consumers will most likely expand their tastes. There would be very little direct competitors to Chipotle as far as the type of food. There are practically no fast casual Latin American restaurants in Norway which leaves the space open for Chipotle. Norwegians also tend to eat-in at fast food restaurants 70% of the time and takeaway 24% of the time. The layout of Chipotle is perfect for this kind of behavior (portal).

III. Marketing Plan

A. Marketing objectives

We want to achieve a strong customer satisfaction rate by appealing to the country's culture. We aim to do this by appealing to their customs in terms of Price, Place, Product, and Promotions. We plan to price our menu comparable to that of our competition. We will place our Chipotle in location that will appeal to the audience we aim to target. Our product will incorporate fish, a food item that is a staple in the culture of Norway. We will promote Chipotle by appealing to our target audiences at the many Festivals Norway and by focusing on the local, natural food items and the farmers that work so hard to produce them.

One distinguishing feature of Norway is the amount of festivals their country. Their festivals range from Boat Festivals, to Wood Festivals, to Viking Festivals, to Summer Festivals and much more. Our marketing plan is to be at all of these festivals and promote our product, possibly help sponsor these festivals so our name goes on T-Shirts, and all of the other advertisements for the event. By having our name all over these publications, people start to remember our name and when they pass by our store front, they will be more likely to come in

and try our product. At these festivals, we will pass out free samples of our product and have discount promotions.

B. Product

Chipotle has very specific offerings that relate closely with their core values. Using local foods that are GMO free, and creating a warm incredible in-store service is extremely important to the Chipotle brand. We wanted to maintain this image in Norway and customize Chipotle's offerings as well. Based on where Norway is located and research, we found that many Norwegians consume more fish than the average American. For this reason we wanted to add a fish option, rather than ignoring this large cultural preference.

C. Place

When opening a new location in a new market, we wanted to make sure that we would get the most traffic possible. For this reason we felt that Chipotle would do well in Norway's capital. Oslo is highly populated and filled with urban dwellers that Chipotle attracts. Research has shown that the Oslo residents are well educated and have a high income level with relatively busy lives. This is perfect for the target market we have developed. Another reason we believe that Oslo will be a successful entry point is because the city is very similar to populated urban cities the US has. The people are open to a fast dining experience with take out options as well.

D. Price

The monthly disposable income for the average Norwegian is roughly \$4,215 USD or 33,263 Norwegian Krone. Due to so much surplus income, the cost of living is higher than in the US. While in Norway the cost for a combo meal at McDonalds would be 100 kr, that translates to 15 US dollars. and a meal at an inexpensive restaurant would be about 150 kr or almost 23 US

dollars. This is the cost for only one meal. We would like to Chipotle to be in a different category than fast food. A direct exchange of US prices into the Norwegian Krone would make Chipotle cheaper than McDonald's, and may as a result lower the perceived value of Chipotle's meal options. In order to keep the perceived value we would add 100 kr to the direct exchange rate. For example the chicken and vegetarian options are 6.23 usd, and 49.32kr. By adding 100kr, we increase the value of the our food. Food offerings at 149.32 kr are closer to the inexpensive restaurant image that we are aiming for. For our new fish option we will price this between the chicken and steak options.

E. Promotion

For promotions we want to use a standardized marketing strategy. In the United States Chipotle's main strategy is to promote their humane treatment of animals, the earth and their support of local farmers. This strategy would work in Norway because Norway is a very feminine society according to Hofstede's Cultural Dimensions (The Hofstede Centre). This means that Norwegians care for members of their community and are an egalitarian group that respects each other and their land. This means Norwegians would relate to and support Chipotle's support of local farmers and strong respect for the soil and natural resources of Norway.

All major types of advertising media are available in Norway ("Marketing a Business in Norway"). They use newspapers, social media, internet and video media such as Youtube. Newspapers are one form of traditional advertising that we will use a lot during our entrance because Norway has very high levels of newspaper readership ("Marketing a Business in Norway"). We will also highly utilize social media. There has been a huge increase in social

media use in Norway in recent years and we could be one of the first businesses to really utilize these outlets for marketing purposes. From the Spring of 2013 to the Fall of 2013, only a few short months, there was a .5% population increase in the use of Facebook users in Norway, a 2.4% increase in the use of Youtube, an 11.8% increase in users of Twitter, and a huge 37.7% increase in users of Instagram (“Social Users in Norway”). Facebook, Youtube, Twitter and Instagram would be the main forms of social media we would use. The internet in Norway is highly developed and utilized by the population for many things. This means that the use of video marketing would be successful here (“Marketing a Business in Norway”). In the United States Chipotle has recently used a video and game series called “The Scarecrow” that follows a scarecrow through farmland and shows the effects that some businesses have on natural resources and animals compared to the positive effects Chipotle embodies. This would be a successful campaign in Norway because of the ideals and internet infrastructure (“The Scarecrow”).

In regards to personal selling we would demand that all employees mirror the values of Chipotle in America. This means showing respect for the suppliers, the customers and the country’s culture entirely. We need the Chipotle’s in Norway to focus on showing that they truly care about Norwegians and treat them as equals. This may mean teaching them about some of the culture in Norway so that they can create relationships with the customers and suppliers and show more of a personal bond that fits with this feminine society. We would say that, on top of being respectful, quick service is a big selling component because Norwegians indulge but move quickly because of their time orientation (The Hofstede Centre). Our public relations efforts would be focused on the suppliers themselves. This would be the best form of outreach. One way

to specifically target the suppliers is through the Chipotle Cultivate Foundation. This is a form of public relations used in the United States in which Chipotle holds deals and fundraisers and the extra money supports food education in the country and the local farmers. This non-profit movement could be used in Norway to reach out to local farmers and educate about why Chipotle is a better company than others. One such fundraiser could be when Chipotle first opens in Norway they run a deal where it is buy one burrito and get one free. Not only does this stimulate trial of more products but it gathers up money that can be put directly into this non-profit to help Norway immediately after Chipotle's entrance. This would generate a lot of positive publicity from the very beginning.

One point of purchase sales promotion would be bundling products. Chipotle offers sides and drinks on top of the standard burrito, bowl or taco meal. Chipotle could offer discounts on the burrito if a drink and a bag of chips with salsa is purchased to make it a meal. Since Chipotle serves alcohol as well as fountain drinks, this could be a strong bundle package. Getting a discount on a beer or a margarita with the purchase of a meal would be a good deal for Norwegians. Another deal could be buy a fish burrito and get another burrito free. This would stimulate trial of the new fish option and trial of another burrito product. This method was used in the United States to begin a trial of the new sofritas option and was very successful. The main trade promotions that we would use would be giving suppliers favorable payments and giving back to their efforts. We would pay much more for their quality, humane products than our competitors in the area would pay. We would be respectful to them and treat them as equals. On top of this, the use of the Chipotle Cultivate Foundation is another form of trade promotions. The money in this fund would help our Norwegian suppliers which would make more farmers want

to supply to Chipotle. The food education given to consumers and farmers through this program would also be an incentive for the suppliers because it would educate them on ways to better their practices and would educate consumers on why these suppliers are better for them--helping the suppliers gain a following in other areas of the market.

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