

CASE 3-B**CLEANING UP THEIR ACT: THE CHIPOTLE FOOD SAFETY CRISIS**

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Between July and December 2015, more than 500 customers became sick after eating at a Chipotle Mexican Grill. Six different outbreaks of either *E. coli*, Norovirus, or *Salmonella* were reported in Chipotle restaurants from Seattle to Boston. While none of these outbreaks resulted in deaths, Chipotle still faced a vast public demand to address food safety concerns.

Chipotle also needed to restore its positive image, an image that had become the target of several unflattering social media memes. For example, customers tweeted using the hashtag #chipotleecoli and noted “paying extra for guac but not for the e.coli.” For a company whose competitive advantage and brand image centered on locally and naturally sourced products, the issue of food safety was central.

Chipotle reported the majority of the outbreaks to the Center for Disease Control after the restaurants had been sanitized and the ingredients replaced, preventing the CDC from conducting any investigation.

Chipotle also failed to publicly address the outbreaks until after the fourth episode, publishing its first press release on Nov. 3, 2015. On Dec. 16, Chipotle purchased full-page advertisements in various outlets such as the *New York Times*, *Wall Street Journal*, and *USA Today*. The advertisement was an open letter from founder Steve Ells and focused on eight new food safety initiatives. In it, Ells wrote,

Since I opened the first Chipotle more than 23 years ago, we have strived to elevate fast food, by using better ingredients which are raised responsibly, without synthetic hormones, antibiotics, added colors, flavors or sweeteners typically found in processed fast food. And I’m very proud of that. But in 2015, we failed to live up to our own food safety standards, and in so doing, we let our customers down. At that time, I made a promise to all of our customers that we would elevate our food safety program. (The full letter is available at www.chipotle.com/openletter.)

The outbreak incidents and the poor corporate response had financial and legal consequences. Bloomberg estimated that Chipotle lost nearly \$73 million in sales after the outbreaks (Stock 2016). In January 2016, investors sued Chipotle for making “materially false and misleading

statements” and not disclosing that “quality controls were not in compliance with applicable consumer and workplace safety regulations” (Wahba 2016). Also in January 2016, Chipotle received a subpoena requiring the company to release a “broad range of documents” related to the Simi Valley outbreak. Later in the month, Chipotle received a second subpoena for information regarding food safety measures from as far back as 2013 (Associated Press 2016). During this time, Chipotle also privately settled 96 cases with customers on a case-by-case basis (Jennings 2016).

Social media dramatically increased the awareness of the outbreaks as well as providing a platform for circulating false information without any filter.

Hoping to fuel a turnaround, Chipotle closed all of its restaurants on Feb. 8, 2016, for a four-hour food safety meeting to discuss new policies and answer outstanding questions. The new plan featured eight main actions the company would take to prevent future outbreaks and become a leader in food safety, including restaurant inspections at its more than 1,900 locations, farmer support and training, and ingredient traceability.

After Chipotle’s dramatic closing, the company continued to promote new marketing initiatives aimed at gaining back customer trust and revenue. Between February and May 2016, Chipotle gave away nearly \$70 million in free food (Taylor 2016). In July 2016, Chipotle executives announced they would be utilizing a loyalty program called “Chiptopia” as a way to bring back once-loyal customers.

Despite these multiple efforts to engage with and reestablish their customer base, financial indicators continued to lag. The company has experienced additional hurdles in 2017, including another Norovirus outbreak and video footage, which traveled quickly on Twitter, of mice in a Dallas Chipotle restaurant.

Micro Issues

1. Chipotle failed to publicly address food contamination until after the fourth outbreak. Analyze their response.
2. Evaluate the open letter from Chipotle founder Steve Ells.
3. What is the ethical responsibility of members of the public who have a bad experience with a local business to tell the truth or accurately report what happened?
4. What is the ethical responsibility of someone who reads such a post?

Midrange Issues

1. Chipotle has cultivated an image of providing locally and naturally sourced products, a contrast to many of their fast-food competitors. How did this image positively or negatively influence media coverage of the outbreaks?
2. Develop a strategic advertising campaign to help reestablish Chipotle's image following several unflattering social media memes. What ethical principles do you rely on to develop this approach?

Macro Issues

1. One reporter compared the Chipotle outbreaks to similar, yet more widespread, incidents at Jack in the Box restaurants in 1992. Chipotle suffered bigger sales losses, and the reporter attributed these decreases to social media and the power of news being widely available. Evaluate these claims.

CASE 3-C

KEEPING UP WITH THE KARDASHIANS' PRESCRIPTION DRUG CHOICES

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In 2015, Kim Kardashian-West posted a picture of herself on Instagram holding a bottle of pills with the caption, "OMG. Have you heard about this?"

The post touted the drug Diclegis and its benefits for morning sickness. Soon thereafter, Duchesnay, the drug manufacturer, received a warning letter from the Food and Drug Administration (FDA) saying that the post had been "false and misleading" because it failed to mention the drug's risks. Consequently, Kardashian-West posted a month later describing the potential side effects and the risks associated with Diclegis. She used the hashtag "#correctivead" with the post, and prefaced the list of side effects with the words "for US residents only" (see https://www.instagram.com/p/7B07j_uSww).

Kardashian-West's original post omitted any warnings, suggesting that Duchesnay deliberately sidestepped the regulations about