

# Chipotle Still Faces Stiff Challenges to Sales Growth

BI Restaurants, North America Dashboard | BI »



Michael Halen | BIO »  
Team: Consumer Products  
BI Senior Industry Analyst



Matthew Moros | BIO »  
BI Associate Analyst

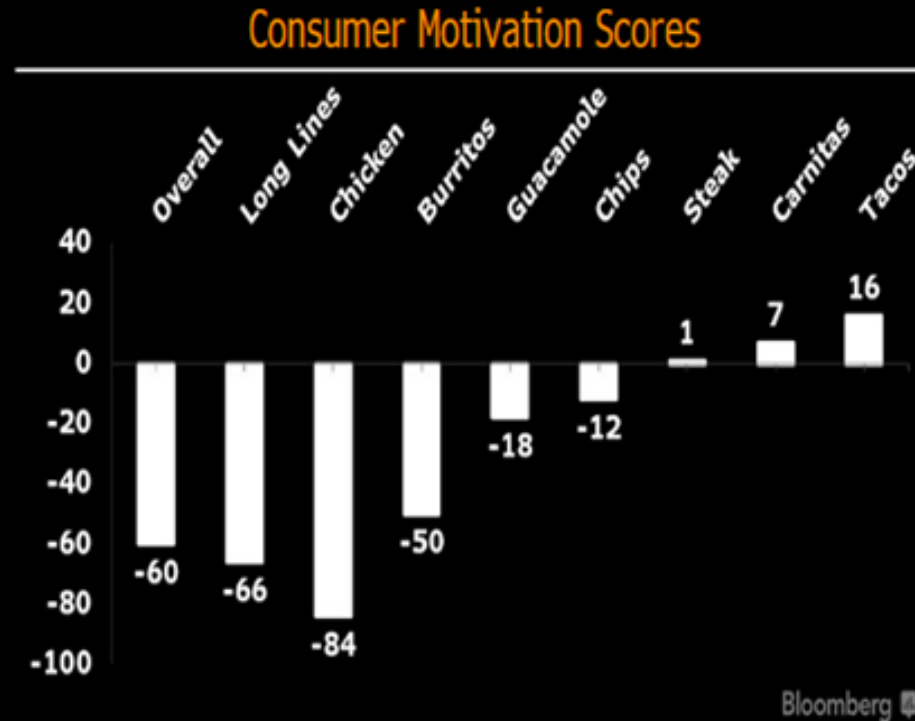


## Chipotle Needs to Tackle Long Lines, Burritos for Sales Gains

(Bloomberg Intelligence) -- Chipotle needs to tackle customer insights on long lines and the amount of chicken in burritos to significantly improve guest counts and same-store sales. The chain's "consumer motivation" scores, based on data from predictive-analytics company Cognovi Labs, remain low despite strong stock-price appreciation since the new CEO came on board.

(10/18/18)

Chipotle's stock has jumped 73% since it hired CEO Brian Niccol in February, but management has a lot of work to do to improve traffic and same-store sales. Easy year-over-year comparisons in 2H and the closing of underperforming locations will boost near-term comparable-store sales. But Cognovi's scores reflect significant dissatisfaction with the overall brand (a minus-60 consumer-motivation score), long lines (negative-66), chicken (minus-84) and burritos (minus-50) in 3Q. Scores range from negative-100 (strong avoidance) to 100 (strong attraction).



Source: Cognovi Labs

Exhibit

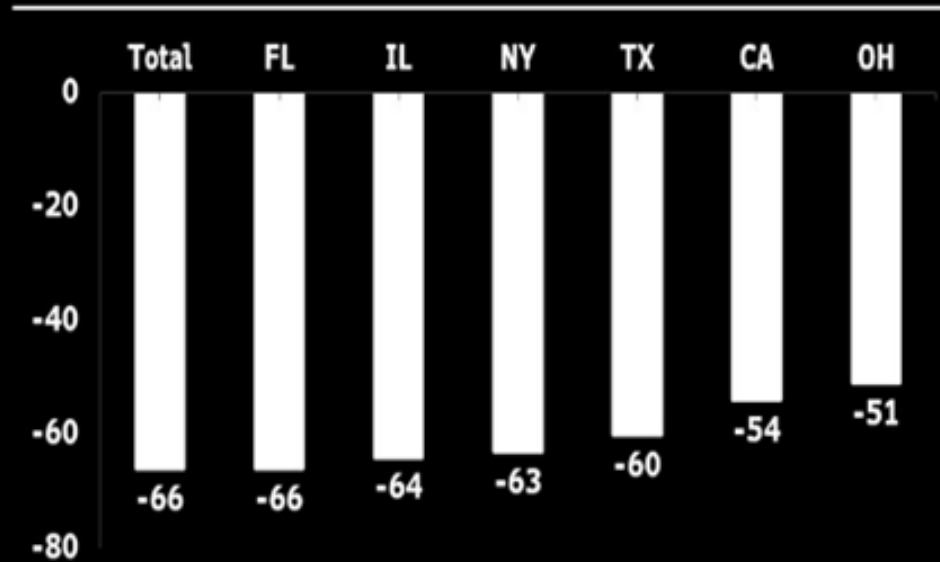
Cognovi, an artificial intelligence and behavioral-science company, analyzes social-media conversations to form insights on customer behavior, as well as future traffic and sales. Its marketing analysis on Chipotle has been provided exclusively to Bloomberg Intelligence. (10/18/18)

## 2. Addressing Customer Satisfaction, Long Lines

[Return to Top](#)

Chipotle needs to work harder to address long lines and other complaints about its restaurants in light of the weak consumer-motivation scores from Cognovi in 3Q. Each of the chain's six top states by store count (Florida, Illinois, New York, Texas, California and Ohio) received consumer motivation scores of minus-51 or lower, showing widespread dissatisfaction with wait times. Management has said appropriate staffing, clearly defined employee roles and quarterly bonus programs will improve workforce morale and Chipotle's customer-experience scores. We believe the rollout of second kitchen "make lines" for digital takeout orders to 1,000 stores by year-end, from 500 at the end of 2Q, will speed throughput at peak times of the day. Digital orders surged 33% in 2Q and made up 10.3% of sales. (10/18/18)

### Consumer Motivation – Long Lines



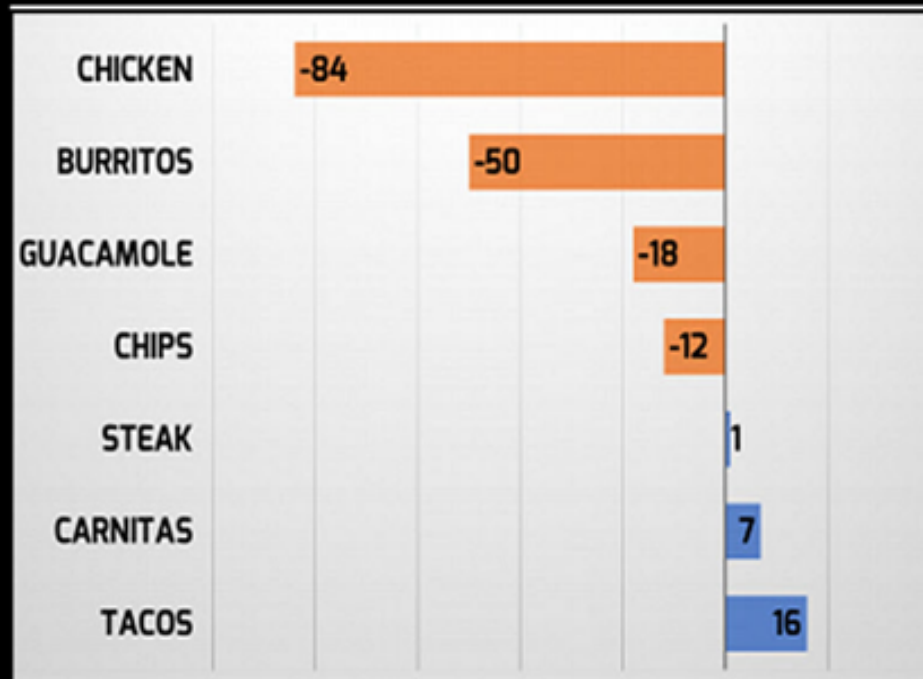
Bloomberg 

Source: Cognovi Labs

Exhibit

Chipotle's most pressing concern may be the poor consumer-motivation scores for two of its most popular menu items: chicken and burritos. Cognovi's scores found that many customers were unhappy with the amount of chicken in their burritos and bowls, and there were unfavorable impressions of the burritos. Social-media conversations analyzed by Cognovi showed that the chain's food-safety issues remained at the forefront of consumers' minds. They are still a headwind to traffic and same-store sales growth, in our view.

Consumer Motivation – Food Products



Source: Cognovi Labs

Exhibit

Cognovi's analysis also found that Chipotle had a marketing misstep in 3Q. Customers were upset with the company for its decision to give singer Cardi B a lifetime of free chips and guacamole instead of giving them to the less fortunate. (10/18/18)