



Chipotle Marketing Proposal

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Objective

- To persuade sporadic customers to become consistent Chipotle diners
- To cultivate a new life-long loyal customer base

Methodology

• Data preparation

- Since the restaurant names were manually typed by each respondent, the restaurant names were given consistent labels.
- The restaurants were grouped into high level categories (e.g. burgers, chicken, sandwiches).
- Each entry was assigned a unique ID.
- Some variables needed value replacement.
 - The restaurant feature importance and Chipotle feature performance variables had some missing value replacement.
 - Responses with a value of 6 were changed to 5.
 - Among the variables with a full range of 1-5, responses with missing values were replaced with 3.
 - Among the variables with values of only 4 or 5, missing values were replaced with the more frequent value.
 - None of the demographic or personality variables needed missing value replacement.

• Cluster development

Given the limited sample size of our data after preparation (326 records), possible cluster sizes of three or four were determined to be the most appropriate to create. Various variable combinations were used in the creation of the three- and four-cluster groupings. The significance of each variable's impact on creating the clusters did not favor one type of variable group. Thus, all available data – with the exception of the ID, gender and most frequent fast food restaurant visit variables – were used in the k-means clustering for both the three- and four-cluster groupings.

Once the two different cluster groupings were completed, a comparison was conducted between the average distance of each respondent to its cluster center and the differences between each cluster's responses to the survey variables. It was determined that the four-cluster grouping is the better group for two reasons: (1) the average distance of each response to its cluster center was more evenly distributed, and (2) the differences in the survey responses were better differentiated.

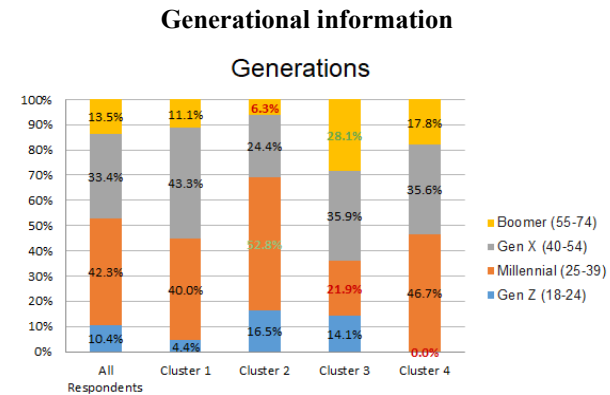
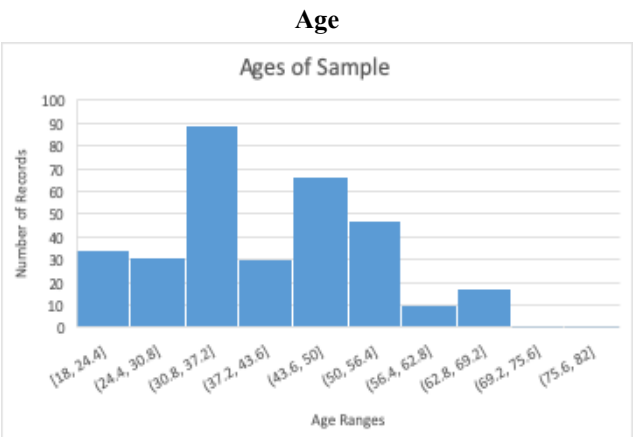
3 Clusters		
Cluster	Ave Distance from Cluster Center	Cluster Count
1	7,187	55
2	5,235	146
3	6,966	125

4 Clusters		
Cluster	Ave Distance from Cluster Center	Cluster Count
1	4,018	90
2	4,703	127
3	4,613	64
4	5,385	45

Segmentation

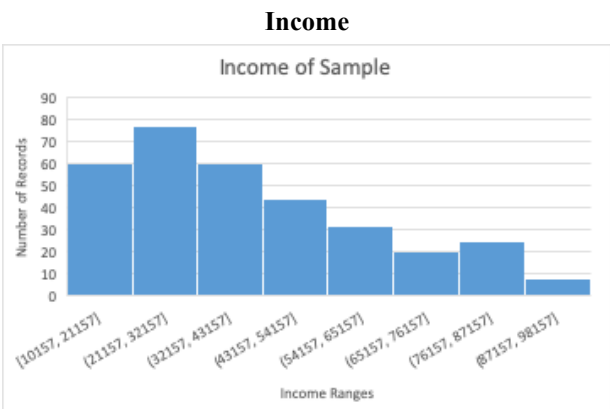
The sample population is divided into the following groups.

- Demographic segmentation

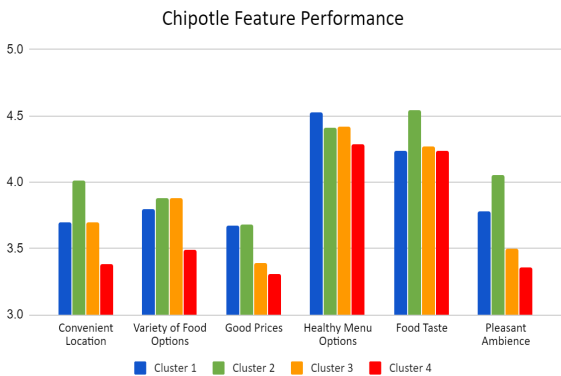
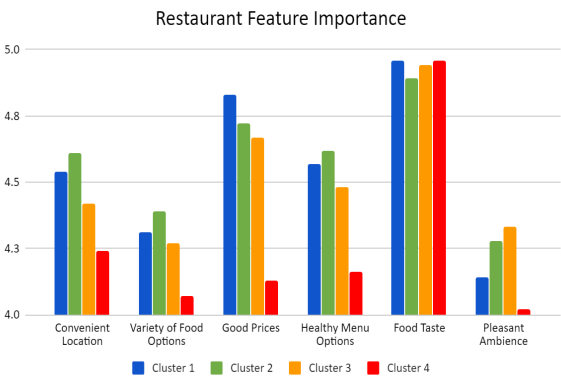


Gender

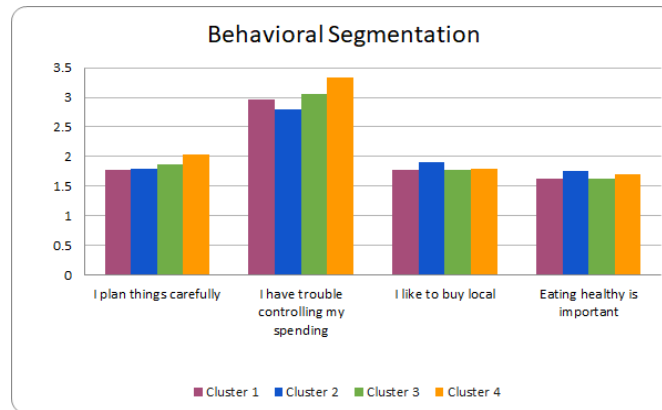
Male	78.5%
Female	21.5%



- Psychographic segmentation



- Behavioral segmentation



Cluster profiles

Each cluster's characteristics are outlined below.

Cluster 1 Profile: Chipotle Connoisseur

- Demographics
 - Average age is 43 with an even mix of Millennials (40%) and Gen Xs (43.3%)
 - Average income of \$39K
- Psychographics
 - Ranks first in frequency of Chipotle visits among the sample
 - Very inline with the total survey audience
 - Food Taste and Good Prices are the highest rated restaurant features
 - Cares the least about Buying Local

Cluster 2 Profile: Interested Bystanders

- Demographics
 - Average age is 36, with the sample comprised of 52.8% Millennials, 24.4% Gen X, and 16.5% Gen Z
 - Average income is \$21.5K
- Psychographics
 - Consistently rate Chipotle higher than other clusters, but visits the least
 - Care more about buying local and eating healthier compared to other clusters
 - Ranks Chipotle's Convenient Location, Good Prices, Healthy Menu Options, Food Taste features highly
 - More conscientious about spending compared to the other clusters

Cluster 3 Profile: Average Gourmand

- Demographics
 - Average age is 44, with the sample comprised of 35.9% Gen X, 28.1% Boomers, 21.9% Millennials, and 14.1% Gen Z
 - Average income is \$57K
- Psychographics

- Ranks second in frequency of Chipotle visits among the sample
- Ranks Chipotle's Healthy Menu Options and Food Taste features highly
- Care the least about eating healthy

Cluster 4 Profile: Picky Professional

- Demographics
 - Average age is 43, with the sample comprised of 46.7% millennials, 35.6% Gen X, 17.8% Boomer
 - Average income is \$81K
- Psychographics
 - Ranks last in frequency of Chipotle visits among the sample
 - Find Chipotle to have healthy options but care the second least about healthy options

Based on these profiles, the Chipotle Connoisseur (Cluster 1), the Picky Professional (Cluster 4), and the Average Gourmand (Cluster 3) do not seem to be particularly attractive targets. The Chipotle Connoisseur already displays loyalty for Chipotle, so more marketing may be redundant since he or she will most likely continue visiting Chipotle regardless of extra marketing. The Picky Professional is likely not inclined to eat often at Chipotle since he or she prefers to eat at a sit-down restaurant with good food. The Average Gourmand does not display a preference for Chipotle and would most likely cost more time to acquire as a regular Chipotle customer.

Target Market

Based on the characteristics of each cluster, our recommended target market is the Interested Bystander group (i.e. Cluster 2) because they are on the cusp of becoming more consistent Chipotle diners. Though they do not report to be frequent Chipotle diners, they have a favorable perception of Chipotle. Furthermore, with an average age of 36, they are relatively young: they are not quite set in their habits, and they have the potential to become life-long Chipotle loyal customers. Finally, millennials are potentially the most profitable target market because they make up 22% of the overall population and is now the largest population in the United States¹.

Positioning

Based on the research, the following is the recommended marketing mix.

- Product
 - Emphasize Chipotle's unique value proposition: "Food with Integrity." Chipotle's commitment to making healthy, tastier food appeals directly to the target market's preference of healthy menu options and great food taste.
- Place
 - The target market likes the pleasant ambience and the convenient locations of Chipotle restaurants. This can be enhanced by emphasizing Chipotle's different types of seating areas (i.e.

¹ Fry, R. (2020, April 28). *Millennials overtake Baby Boomers as America's largest generation*. Pew Research Center. <https://www.pewresearch.org/fact-tank/2020/04/28/millennials-overtake-baby-boomers-as-americas-largest-generation/>

family style, small group, individual, outside/inside areas) which can help the audience envision Chipotle as a place for different social needs/occasions.

- Price

- The target market values affordable prices and rates Chipotle's prices highly. However, the good price point has not been enough to make Chipotle visits more consistent. Offer a new rewards system to customers to encourage more frequent visits, as outlined below:
 - For every \$1 a customer spends, they earn 1 point on their account.
 - Different levels of rewards for customers to choose from
 - Sign up reward of free bag of chips and side of guacamole
 - Taco Tuesday/Food with Integrity Flash deals: double points on Chipotle meal purchase when paying with cash or debit card

Point Level	Possible Redemption
10	\$2 off any non-alcoholic drink.
25	Free guacamole side
50	Free chips and salsa or guacamole side
100	\$5 off any entree item
200	Free basic menu entree (no additions like guacamole or extra meat.)
400	Free entree and bag of chips
1000	Free meal deal (entree, any non-alcoholic drink, and a bag of chips)

- Promotion

- Publish social media ads on Facebook and Instagram.
 - These are the most popular social media platforms for millennials, based on the latest research by Pew Research Center².
- Commercial ads on Hulu and YouTube.
 - Hulu is a popular subscription video on demand service amongst millennials³ and reports that 70% of their viewers are on ad-supported plans⁴.
 - YouTube is a popular social media platform among millennials².

² Pew Research Center. (2019, June 12). *Social media fact sheet*. Pew Research Center Internet & Technology. <https://www.pewresearch.org/internet/fact-sheet/social-media/>

³ Chmielewski, D. (2019, January 8). *Hulu says it now has 25 million subscribers, up 48% from a year ago*. Deadline. <https://deadline.com/2019/01/hulu-25-million-subscribers-up-48-percent-1202531129/>

⁴ Spangler, T. (2019, May 29). *Hulu says 70% of its 82 million viewers are on ad-supported plan*. Vogue. <https://variety.com/2019/digital/news/hulu-ad-supported-subscribers-70-percent-1203227954/>