# Chipotle Customer Segmentation

Nicholas Baldocchi, Holly Dusenbury,
Elizabeth Murphy, Clarice Ong,
Victoria Petty, Ricardo Santos

SAINT MARY'S COLLEGE of CALIFORNIA

# Agenda

1. Data Preparation
2. Cluster Creation
3. Demographics & Psychographics
4. Cluster Overview & Profiling
5. Strategy for Marketing

# Data Prep

- Records with less than 80% completeness were removed
  - 31 records removed leaving a total sample of 326 records

- No demographic or personality variables needed missing value replacement

- The restaurant feature importance and Chipotle feature performance variables had some missing value replacement
  - Responses with a values of 6 were changed to 5
  - Variables with a full range of 1-5: responses with missing values were replaced with 3
  - Variables with values of only 4 or 5: missing values were replaced with more frequent value

# Cluster Creation

- Due to limited data sample size, 3 and 4 cluster models were developed
- Significance testing on variables did not favor a particular survey question group so all variables were used in modeling
- Calculating the average respondent distance to cluster center, elbow method testing, and survey response differentiation were used to determine whether to proceed with 3 or 4 clusters

| 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 |
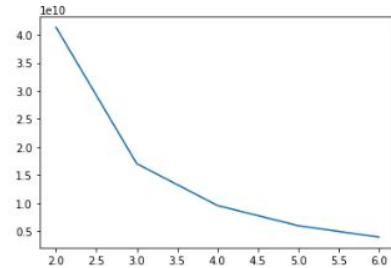


- 4 cluster groups is the best to produce unique customer segments

# Cluster Demographics

## Clusters by Generations



Legend:
- Boomer (55-74)
- Gen X (40-54)
- Millennial (25-39)
- Gen Z (18-24)

| | All Respondents | Cluster 1 | Cluster 2 | Cluster 3 | Cluster 4 |
|---|---|---|---|---|---|
| Average Age | 41 | 43 | 36 | 44 | 43 |
| Income | $ 41,548 | $ 39,133 | $ 21,495 | $ 56,953 | $ 81,064 |
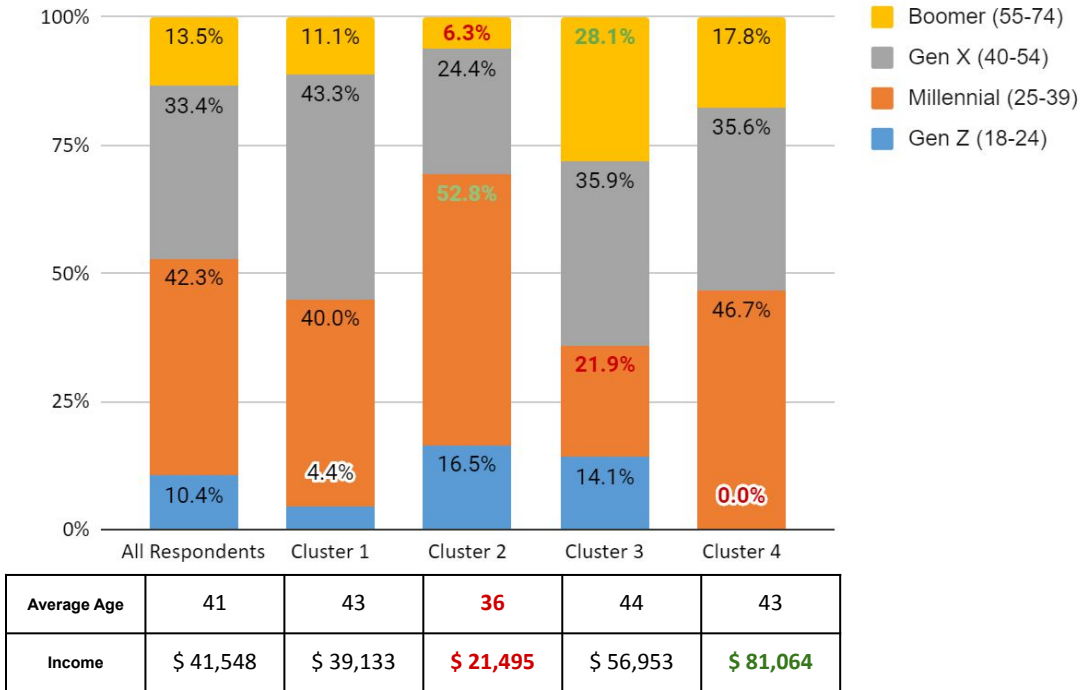
*Highlighted differences are significant compared to all respondents at a 95% confidence

## *Average age does not tell the whole story*

- Cluster 2 has the youngest average age at 36 and contains the largest portion of Millennials

- Cluster 2 also has the lowest income of any group

- Even though the other 3 clusters have close to the same average age, Cluster 3 has the largest portion of Boomers

- Cluster 4 has no Gen Z respondents and has the largest income

# Cluster Restaurant Psychographics



Restaurant Feature Importance
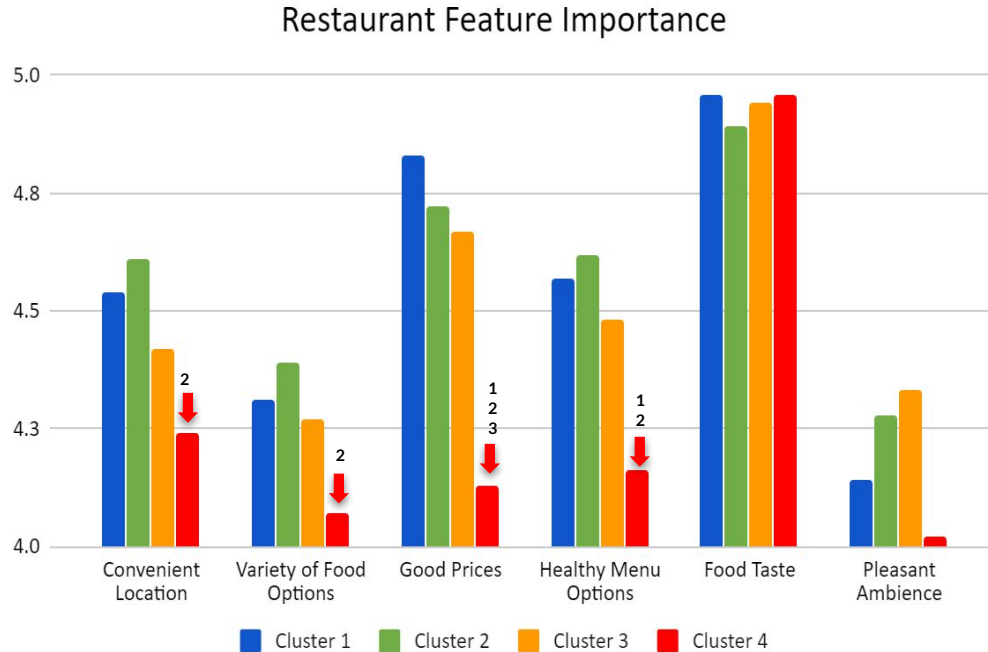
- Cluster 4 consistently ranks most restaurant features lower in importance than the other clusters

- Food Taste is the only feature that all 4 clusters agree is important

- Clusters 1, 2 & 3 rank the highest in at least one restaurant feature

*Arrows denote significant differences from numbered clusters at a 95% confidence interval

# Cluster Chipotle Psychographics



Chipotle Feature Performance
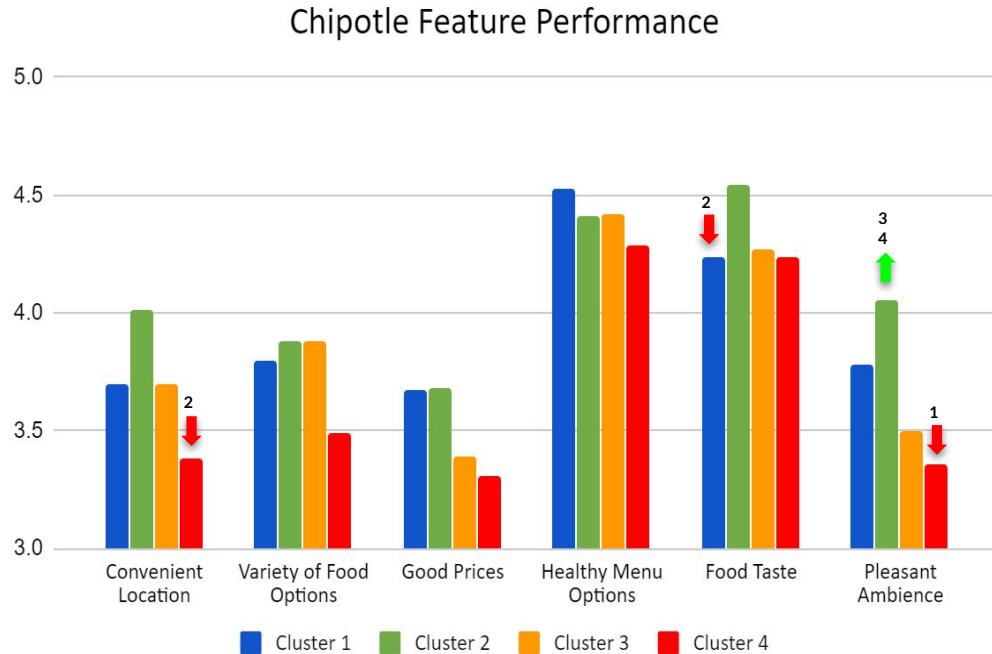
- Like restaurant features, Cluster 4 consistently ranks Chipotle worst in most features

- Conversely, Cluster 2 consistently ranks Chipotle high in most features, especially its location and ambience

- Healthy Menu Options and Food Taste are the only 2 Chipotle features that each cluster can agree on

*Arrows denote significant differences from numbered clusters at a 95% confidence interval

# Cluster Overview

## Cluster 1: Chipotle Connoisseur
### 27.6% in size

I am an average person who goes to fast food restaurants out of convenience. I enjoy Chipotle and go frequently but I don't have a loyalty to any one restaurant in particular. I don't care much about where my food comes from as long as it tastes good.

## Cluster 2: Interested Bystanders
### 39.0% in size

I am a younger person who is trying to navigate my life on a very limited budget, so I want to spend my money on food I like. I care about eating healthy and where my food comes from. I am a fan of Chipotle, its menu, and locations, but I don't go there very often.

## Cluster 3: Average Gourmand
### 19.6% in size

I am an average middle-aged person who makes a decent living. I'm not picky with what I eat but I do have my standards so I won't go to just any place for food. I go to Chipotle fairly often but I wouldn't rank it very high on my list of favorite places to go.

## Cluster 4: Picky Professional
### 13.8% in size

I am a wealthy middle-aged individual who is very picky about what and where I eat. I don't really enjoy eating at fast food and would much prefer to sit down at a restaurant. I am not a fan of Chipotle at all although I will agree that it does have a somewhat healthy menu.

# Profiling Clusters 1 and 4:

**Chipotle should not put use resources into acquiring these two customer segments.**

**Roger**

**Karen**

## Cluster 1: Chipotle Connoisseur

Age: 43
Income: $39K
Visited Chipotle last 3 month: 27%
Quick Serve Preference: Mexican

## Cluster 4: Picky Professionals

Age: 43
Income: $81K
Visited Chipotle last 3 month: 11%
Quick Serve Preference: Burgers

I want to speak to the manager.

**Disposition**
- 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.

*Already have as a loyal customer*

**Disposition**
- Ranks last in frequency of Chipotle visits among the sample.
- Find Chipotle to be healthy but care the second least about healthy options.

*Will never be a frequent Chipotle customer*

# Profiling Clusters 2 and 3:

**Although these two types of customers are similar, Interested Bystanders represent the best segment for targeting.**

**Jill**

**John**

## Cluster 2: Interested Bystanders

Age: 36
Income: $22K
Visited Chipotle last 3 month: 13%
Quick-Service Preference: Burgers

## Cluster 3: Average Gourmand

Age: 45
Income:$57K
Visited Chipotle last 3 month: 16%
Quick-Service Preference: Sandwich

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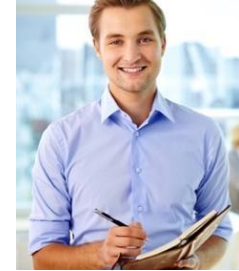
**Disposition**
- Ranks second in frequency of Chipotle visits among the sample.
- Ranks Chipotle's Healthy Menu Options and Food Taste features highly.
- Care the least about eating healthy.

# Best Target Customer

- Cluster 2 - Interested Bystanders
- 39% of the sample proportion
- Rank Chipotle significantly higher than the rest of the clusters, even though they report to be less frequent Chipotle diners

## Why?

- The largest population (22%) in the US
- Relatively young with average age of 36
  - Not quite set in their dining habits
  - Have the potential to become consistent Chipotle customers.

# Positioning

- Product
  - Emphasize Chipotle's unique value proposition: "Food with Integrity"
  - Appeals directly to target market's preference of healthy menu options and great food taste
- Place
  - Emphasize Chipotle's different types of seating areas (i.e. family style, small group, individual, outside/inside areas) to help the audience envision Chipotle as a place for different social needs/occasions
  - The target market likes the pleasant ambience and the convenient locations of Chipotle restaurants

# Positioning

- Price
  - Offer a new rewards system
    - 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: 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
- Promotion
  - Publish social media ads on
    - Facebook
    - Instagram
  - Commercial ads on Hulu and YouTube

| Point Level | Possible Redemption |
|---|---|
| 10 | $2 off any non-alcoholic drink |
| 25 | Free guacamole side |
| 50 | Free chips and salsa or guacamole |
| 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) |