

# Chipotle: Steve Ells (2017)

HOW I BUILT THIS WITH GUY RAZ

January 4, 2021 12:01 AM ET

---

## Summary

Chipotle has 2600+ locations in the US and other countries. Looking at his cooking skills the owner, Steve Elle was advised by his friend in college to attend the Culinary Institute in New York City. Later, while working at a high-end restaurant in San Francisco he got the idea of starting a burrito shop which would serve burritos similar to the way which was popular around San Francisco. With some loan from his father, first Chipotle shop was opened in Denver and now has spread across many countries as a fast food empire worth billions. The organisation faced trouble for a few years originating from complaints of bad food which led Steve to reinvent Chipotle the way it is today.

## ***What was the major hurdle the entrepreneur had to overcome?***

- In 2015, a series of reports with customers getting food borne illnesses created a huge problem when most of the cases were traced back to undercooked or contaminated food served at some of the Chipotle locations
- The company was prepared as an organisation to handle the issue, although finally had to take drastic measures within the organisation to recover the lost trust with the customers, including major leadership changes
- This episode brought the company evaluation from highest \$21B down to \$14B (till 2018)

## ***Was luck involved (good or bad) along the journey, if so how/when?***

- The owner attributes some luck to the fact that his father agreed to provide seed fund for the first Chipotle shop
- He believes that McDonald's investment was seminal in extending the food chain across country
- Till the time he sorted out the events between years 2015-18, after which he stepped down as CEO; the owner regrets that he could not realise his dream of owning a high-end restaurant

## ***What could they have done to be successful sooner?***

- Understood the business model better, which would have given him the ability to pitch it better and sooner to investors
- Should have taken strict measures for food safety to avoid conflicts later on

## ***What was the most surprising part of their business?***

- Started as 'cash-cow', the business took off so fast and Chipotle became so much popular, that the owner had never thought of
- After consulting with an MBA friend, the owner learned that he had in fact created a very profitable business model, which later attracted investors like McDonald's