

International Marketing Communication Plan:

Chipotle Mexican Grill- Market Entry into Taiwan (Republic of China)

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Executive Summary

Chipotle Mexican Grill (CMG) is a high quality American quick-service restaurant chain that specializes in tacos and burritos (Chipotle Mexican Grill, n.d.a; Chipotle Mexican Grill, n.d.b). It is publically traded and headquartered in Denver, Colorado (Chipotle Mexican Grill, n.d.a). It has 2,350 restaurants across the United States, United Kingdom, Canada, Germany and France (Chipotle Mexican Grill, 2017a; Chipotle Mexican Grill, n.d.a). Struggling to recover from food safety incidents in 2015, Chipotle will capitalize on international expansion to restore its brand to deliver significant growth (Chipotle Mexican Grill, 2017c; Douglas, 2017; Tefris Team, 2017). In consideration of the suggestion that expansion into Asia would catalyze growth, the Taiwanese culture along with Taiwan's growing food sector offers a strong market potential for quick service restaurant concepts (International Trade Administration, 2017a; Trefis Team, 2017).

Recent trends indicate that Mexican Cuisine is starting to gain momentum (Huang, 2017; Taipei Trends, 2017). Existing restaurants are privately owned local businesses or hotels, and there is an absence of Mexican fast-food joints. The recent increase in travel, tourism, and trade between the U.S. and Taiwan has created a demand for this gap to be filled. Chipotle Mexican Grill faces a somewhat noncompetitive and opportunistic environment as an industry innovator. At the same time, CMG still faces potential problems and resistance to its product acceptance. These areas include an unwillingness to try new foods, a dislike for Mexican Food, a dislike or unwillingness for the concept of pick and choose the contents of your meal, and most significantly, Chipotle's reputation with food safety issues. This comprehensive report examines how CMG positions itself as a popular American restaurant franchise that provides affordable, fresh, and fast Mexican food to gain entry into the Taiwanese market.

Country Analysis: Taiwan

Cultural Aspects

Founded on July 13, 1993, in Denver, Colorado, Chipotle Mexican Grill is an American quick-service restaurant chain that wishes to export its specialty in tacos and burritos to Taiwan (Chipotle, n.d.; Chipotle Mexican Grill, n.d.). Taiwan is a tropical Southeast Asian island located east of China (Central Intelligence Agency, n.d.). It is a developed and educated republic with a dynamic capitalist economy (Central Intelligence Agency, n.d.; Export Enterprises, 2017). Its people “enjoy a moderately high standard of living” (International Trade Administration, 2017c, para 4). Its official language of Taiwan is Mandarin (Central Intelligence Agency, n.d.).

Relevant History. Taiwan became the Republic of China in 1945 (History of Taiwan Since 1945, n. d.). The modern Taiwanese culture originated in 1949 when communist ruling in Mainland China forced 1.5 million Chinese Nationalists to take refuge in Taiwan (History of Taiwan Since 1945, n.d.). This stimulated industrialization and rapid economic growth, which lead to political democratization and economic liberation (Ministry of Foreign Affairs, Republic Of China, n.d.c). However, high tensions remained between Taiwan and China until the two allegedly accepted the concept of One China regardless of political ideologies (1992 Consensus, n.d.). Later coined the 1992 consensus, the arrangement has since maintained dialogue and relations between the two sides (1992 Consensus, n.d.).

Social Institutions. Taiwan is a self-governing republic with five branches of Central government (BBC News, 2017; Central Intelligence Agency, n.d). Its Executive branch (or Yuan) oversees foreign affairs as well as formulating and implementing international and domestic policies (How to Start a Business in Taiwan, n.d.b; Ministry of Foreign Affairs, Republic of China, n.d.c). Under its jurisdiction, six special municipalities: Kaohsiung, New

Taipei, Taichung, Tainan, Taipei, and Taoyuan are among its 22 local administrative regions (Central Intelligence Agency, n.d.).

Overall, Taiwan is a collectivistic, feminine, and long-term oriented country that is high in context, power distance, and uncertainty avoidance (Hofstede Insights, 2017). In business, relationships and loyalty go far; face giving and respect for seniority is valued; communication is indirect, but brevity is not preferred, especially if it sacrifices the delivery of any deep contextual messages (Commisceo Global, 2017).

Religion and Aesthetics. Confucianism ethics are valued, while Buddhism and Taoism dominate religion in Taiwan (Ministry of Foreign Affairs, Republic of China, n.d.a). These traditional tenets are represented across Taiwan's culture and behavior (Ministry of Foreign Affairs, Republic of China, n.d.a). At the same time, Taiwanese people pride themselves on creating their own culture, emphasizing the country as independent from China (Culture of Taiwan, n.d.; Taiwanization, n.d.). Known as Taiwanization, this is expressed through arts, cinema, literature, media, and food (Executive Yuan Republic of China (Taiwan), n.d.). Shoppers prefer highly dense web pages, are price sensitive, and value the importance of building brand loyalty (International Trade Administration, 2017f; Payoneer Community, 2016). More recently, aspects of Western influences can also be observed in Taiwanese culture (Taiwan Cultural Life, n.d.).

Living Conditions. The standard of living in Taiwan is moderately high (International Trade Administration, 2017c). Travel and tourism have become frequent and eating out is preferred over any other leisure activity (Agriculture and Agri-Food Canada, 2013; International Trade Administration, 2017h). Taiwan's food market is diverse (Food Export USA, 2015). Mainstays include "rice, soya, seafood, and pork," while "mustard greens, black beans, tofu,

dumplings and noodles are also commonly found in Taiwanese dishes” (Agriculture and Agri-Food Canada, 2013, p. 10). Also popular are street food from night markets, snacks, and fruits (Agriculture and Agri-Food Canada, 2013; Food Export USA, 2015).

Language. The official language of Taiwan is Mandarin Chinese (Commisceo Global, n.d.; Central Intelligence Agency, n.d.). The 2014 census estimates 98.5 percent of Taiwan’s population to be literate (Central Intelligence Agency, n.d.).

Economic Analysis

Taiwan’s economy is dependent on global demands and its political rapport (Central Intelligence Agency, n.d; Green, 2017). Its cross-straight relationship with China poses both economic and political challenges. Economically, China’s slowing economic growth constrains Taiwan’s economy (Coface, 2017). Politically, China prohibits formal diplomatic relations with both sides. Thus, Taiwan has few official representations in other countries (BBC News, 2017). More recently, China has suspended all official communications with Taiwan as a response to Taiwan’s new president’s official rejection of the 1992 Consensus (Coface, 2017). This along with China’s influence in the United Nations Security Council threatens to put Taiwan into a deeper state of international isolation (1992 Consensus, n.d.; BBC News, 2017). Relations between Taiwan and the U.S. are maintained through an unofficial instrumentality (Central Intelligence Agency, n.d.; Bureau of East Asian and Pacific Affairs, 2017). Agreements between the two have promoted and increased trade, travel, and tourism (AIT, n.d.; International Trade Administration, 2017h). The U.S. has become the top long-haul destination for Taiwan’s outbound travelers” (McCabe, 2012, para. 1).

Population. Taiwan’s total population is at 23,508,428 (Central Intelligence Agency, n.d.). Its six special municipalities, Kaohsiung (population 2,779,790), New Taipei (3,955,777),

Taichung (2,702,920), Tainan (1,883,251), Taipei (2,688,140), and Taoyuan (2,092,977), constitute for more than 2/3rds of the population (Special Municipality (Taiwan), n.d.). 50% of Taiwan's population travel abroad each year: over 4630,200 Taiwanese citizens visited the U.S. in 2016 while 358,000 Taiwan immigrants reside in the U.S. (International Trade Administration, 2017h; McCabe, 2012).

Economic Statistics. Taiwan's GDP total ranks 23rd in the world at USD 528.6 billion adjusted with a 1.5% real growth rate (Central Intelligence Agency, 2017). Taiwan's service sector makes 70% of its GDP and constitutes 59.2 % of its labor force, while growth in its food service market has averaged 3% per year (Central Intelligence Agency, 2017; International Trade Administration, 2017c). At 22.6% of total expenditure, food is the largest consumption expenditure category (Banco Santander, 2017c). Of the food categories, the most is spent on meat products (Agriculture and Agri-Food Canada, 2013). American companies seeking to enter Taiwan's foodservice sector faces "a relatively open and liberal economy" (Pignatello, 2016, para. 2). The U.S. is Taiwan's third largest importer and largest supplier of foreign franchises (Central Intelligence Agency, 2017; International Trade Administration, 2017c).

Channels Of Distribution. Distribution in Taiwan typically travels from suppliers to distributors, to retailers, to consumers (International Trade Administration, 2017a). Other channels are FDI, direct selling, franchising, partnerships, licensing, employing a local agent, or employing a multi-level marketing strategy (International Trade Administration, 2017a). Local import agents are common channels for initial entry, one of which is the American Institute in Taiwan (U.S. & Foreign Commercial Service and U.S. Department of State, 2016).

Media Analysis. Taiwan has recently developed into one of the most digitally connected markets in the world (Interactive Advertising Bureau, 2017). As of 2016, its "digital cable TV

penetration rate reached 95.84 percent,” and more than 88% (20.6 million) of the country’s population used the Internet (Central Intelligence Agency, n.d.; Ministry of Foreign Affairs, Republic of China, n.d.b, para 1). There are also 4,000 magazine publishers, 2,500 newspaper publishers, more than 3,000 news agencies, 170 radio stations, 76 broadcast television stations operated by five nationwide networks, and cable television (Central Intelligence Agency, n.d.; How to Start a Business in Taiwan, n.d.a; Ministry of Foreign Affairs, Republic of China, n.d.b). Additionally, companies have the choice of partnering with one of the five main advertising agencies: Dentsu, Leo Burnett, JWT, Mac Cann, and Omni Ad (Banco Santander, 2017c).

The Marketing Plan

Because recent trends indicate Mexican cuisine as an emerging phenomenon, existing restaurants are privately own local businesses, and there is an absence of Mexican fast-food joints (Huang, 2017; Taipei Trends, 2017). Positioned as an American-Mexican fast food restaurant in Taiwan, Chipotle faces a somewhat noncompetitive and opportunistic environment with an intermediate threat of new entrants, a minimal threat of substitutes, minimum bargaining power of buyers, medium bargaining power of suppliers, and low rivalry among competitors. This marketing plan will bring Chipotle Mexican Grill into Taiwan by segmenting the market by population, psychographics, and age. Chipotle will achieve competitive advantage by differentiating itself from local competitors by leveraging its status as an innovator and building on its status as an American Franchise that provides affordable, fresh, and fast Mexican food (International Trade Administration, 2017a).

The Product

Chipotle Mexican Grill faces a somewhat noncompetitive and opportunistic environment. The existing market presents CMG with many opportunities as an industry innovator. At the

same time, CMG still faces potential problems and resistance to its product acceptance. These areas include an unwillingness to try new foods, dislike for Mexican Food, a dislike or unwillingness for the concept of pick and choose the contents of your meal, and most significantly, Chipotle's reputation with food safety issues. These issues could stem from the fact that Mexican food is at the early adopter stage and people are unfamiliar with it, and an overestimation of the markets receptiveness of new cuisine. For a detailed analysis, please refer to Appendix A.

The Market

Together the six special municipalities: Kaohsiung, New Taipei, Taichung, Tainan, Taipei, and Taoyuan make up "the top five most populous metropolitan areas in Taiwan" (Special Municipality (Taiwan), n.d., para 11). Additionally, Kaohsiung and Taichung are seaports while Taoyuan has an airport (International Trade Administration, 2017a). Nonetheless, the primary forms of transportation in these areas are automobiles and subways (Banco Santander, 2017b). Available forms of communication are fixed telephones, cellular phones, broadcast media, and the Internet (Central Intelligence Agency, n.d.).

Consumers. Taiwanese consumers are fixated on status, brands, and trends (Food Export USA, 2015; International Trade Administration, 2017c). For an experience with new international brands, they are willing to wait in line for hours (International Trade Administration, 2017c). At the same time, Taiwanese consumers are brand loyal and price sensitive. That said, they are very receptive to popular American companies and culture (International Trade Administration, 2017c). They welcome "North American-style foods, such as ready-made products" and there is an increasing demand for healthy and organic foods (Agriculture and Agri-Food Canada, 2013; Food Export USA, 2015, para 7). Many have adopted

“eating habits reflective of North American and European markets” (Food Export USA, 2015, para 7). As eating out and the demand for quick and ready to eat meals continue to grow, “dining-in is most commonly carried out by older people or young families co-habiting with their parents” (Agriculture and Agri-Food Canada, 2013, p. 9).

Distribution. Typical channels are FDI, partnerships with importing and distribution agents who sell to HRI, contractors, and franchising (Food Export USA, 2015; USDA Foreign Agricultural Service, 2016). Typical food retail outlets are department stores, restaurants, supermarkets, convenience stores, and fast food chains (Banco Santander, 2017a).

Advertising and Promotion. It has been projected that more than 40% of money spent on advertising will be digital by the end of 2017 (Interactive Advertising Bureau, 2017). As Taiwan continues to grow as one of the most digitally connected markets in the world, “most types of media are engaged in an industry-wide transition to digital forms of distribution” (Ministry of Foreign Affairs, Republic of China, n.d.b). Television is the most common medium for reaching mass consumers (Banco Santander, 2017c). New technologies and digital platforms such as mobile, video, and social media are more effective for targeting young consumers (Banco Santander, 2017c; Interactive Advertising Bureau, 2017). Placing physical or broadcast ads through transportation venues are also common and effective (Banco Santander, 2017c). Sales promotions customarily used include sampling, special promotions, discounted gift certificates, and online coupons (Food Export USA, 2015).

Pricing. In addition to customs duties, commercial harbor service charge, and potential commodity taxes, most imports are subjected to a 5% value-added tax (International Trade Administration, 2017g). However, “price breaks and discounts for large-volume purchases are commonly offered” (International Trade Administration, 2017g, para 1). Depending on

marketing strategies, foreign “distributor price margins average between 15% and 40%”

(International Trade Administration, 2017g, para 1).

Competitors. Competition includes other American fast food chains specializing in either: pizza, sandwiches, fried chicken, or burgers. These brands are Pizza Hut, Dominos, Subway, Quizno’s, KFC, Burger King, and McDonald’s (International Trade Administration, 2017c; Sheridan, 2016; USDA Foreign Agricultural Service, 2016). McDonald’s is perhaps the industry standard and the industry’s biggest competitor (USDA Foreign Agricultural Service, 2016). Its menu items and product packaging are mostly standardized, except a few items (McDonald’s, 2014). Its selections range between 25NT (0.83 USD) to 629 NT (20.98 USD) (McDonald’s, 2014). Nonetheless, the average price for a combo meal in the industry is 130 NT (4.34 USD): comparable to the prices in the U.S. (Expatistan, n.d.). It is common to advertise special promotions such as discounted gift certificates, coupons, seasonal themed menus, loyalty stickers, and sponsored events through television and digital platforms (Food Export USA, 2015; Sheridan, 2016). Distribution takes form of direct channels, partnering with agents, or contracting with independent centers (Food Export USA, 2015; USDA Foreign Agricultural Service, 2016). However, new-to-market companies have forced companies such as McDonald’s into franchising to keep up with local trends and preferences (International Trade Administration, 2017c; USDA Foreign Agricultural Service, 2016). Other competition includes local and high-end hotel restaurants, and convenience stores. However, restaurants meals range from moderate to expensive while convenience stores focus on packaged food products or ready-to-eat foods (Food Export USA, 2015; Trip Advisor, n.d.).

Market Size. The estimated industry sale for 2017 is \$44,098,000 (International Trade Administration, 2017c). Chipotle Mexican Grill estimates comparable restaurant sales to increase

about 6.5% from the previous year (Chipotle Mexican Grill, 2017b).

Government Participation. The Trade and Investment Framework Agreement between the US and Taiwan manages and promotes trade dialogue between Taiwan and the U.S. (AIT, n.d.). The primary government agencies that oversee advertising are the National Communications Commission and Fair Trade Commission, Taiwan's Department of Health: Food and Drug Bureau and Ministry of Finance are also delegated significant responsibilities (Young, 2013). There are over 100 laws that regulate advertising, including a ban on TV commercials that advertise unhealthy between 5 to 9 pm every day (Magni, 2016; Young, 2013). For any assistance, contacting The American Institute in Taiwan's (AIT) Commercial Section and The U.S. Export Assistance Center is recommended (U.S. & Foreign Commercial Service and U.S. Department of State, 2016).

Market Entry Communication Mix

It is recommended Chipotle Mexican Grill adopt a geocentric orientation as a transnational company in its entry into the Taiwanese market. It must adapt certain aspects of its marketing mix while standardizing others.

Target Market. At the bare minimum, successful entry into Taiwan requires consumers to have a general understanding of Mexican food and a willingness to eat out. To maximize opportunities, three target segments are recommended: population (population in the six major areas), psychographics (those with first-hand exposure to American culture), and age. Because older people or young families co-habiting with their parents tend to dine in, the target age group is between 20-50 years (Agriculture and Agri-Food Canada, 2013). Since these consumers' behaviors and preferences are consistent, Chipotle should adopt a standardized global marketing strategy to market to these segments (Keegan & Green, 2017).

The Product. Taiwanese consumers are very brand loyal: positive branding goes far. Because Taiwanese consumers are receptive of popular American brands and culture, it is important for Chipotle to emphasize its status as an international brand and take the foreign consumer culture orientation to position its brand in the market (Keegan & Green, 2017). Thus, CMG should extend its brand, products, and packaging into Taiwan. To stand out from competitors, CMG needs to position itself as a popular American restaurant franchise that provides affordable, fresh, and fast Mexican food. In contrast, CMG should adapt its communication strategy to resonate with local consumers.

Advertising and Promotion. Chipotle's messages will be adapted to the Taiwan market. They need not only be translated, but also emphasize CMG's position in the industry, its convenience, its food quality, its dining experience, and its trendiness. High penetration rate and effectiveness of Taiwan's digital and broadcast media indicate broadcast media and various digital marketing channels such as mobile, video, and social media as most practical for communicating these messages. Moreover, these are the most effective mass communication methods for reaching target audiences. Lastly, Chipotle should also advertise on public transportation venues. To ensure that these messages are well received, Chipotle should partner with local agencies. This will also reduce the time and effort spent on understanding local advertising laws and regulations.

To create and increase tangible value to its brand, Chipotle should leverage sales promotion strategies such as discounted gift certificates, coupons, offer seasonal themed menus, and use loyalty stickers like its competitors. Likewise, for consumer sales promotion strategies, CMG should use digital marketing to create and expand its online presence, and sponsor events to establish and build its physical presence.

Distribution. Chipotle is a niche retailer that takes a private label focus specializing in few product categories. All of its restaurants are company-owned, and they require direct involvement in its business operations and its business to consumer strategy. These factors in conjunction with ease of entry and cultural similarities indicate CMG should adopt the organic growth to expand into the Taiwanese market (Keegan & Green, 2017). However, like advertising, it is recommended Chipotle partner with a local import/ export agents to guarantee that its business-to-business operations and services will run successfully. This will establish a consistent supply chain from its supplier to its consumers. Additionally, this will help minimize efforts dedicated to understanding local markets and import laws and regulations.

The Price. Taiwan's economy is exposed to and influenced by fluctuations in the global economy. Additionally, distribution price margins and commodity tax range varies. It is recommended Chipotle use a geocentric pricing strategy. However, because CMG is to be considered more upscale than existing American fast-food chains in Taiwan, its product price range should be somewhat more expensive than those competitors.

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APPENDIX-

CHARACTERISTICS OF INNOVATION
PERCEPTION OF CHIPOTLE IN THE TAIWANESE MARKET

RELATIVE ADVANTAGE <u>EXISTING PRODUCTS:</u> AMERICAN FRANCHISES— <ul style="list-style-type: none"> - Burgers- McDonald's/ Burger King - Fried Chicken- KFC - Sandwiches, Subway/ Quizno's - Pizza- Pizza Hut/ Dominos - New-to-Market- Dairy Queen, Krispy Kreme, Jamba Juice LOCAL MEXICAN FOOD— <ul style="list-style-type: none"> - Small mom/ pop shops - High end hotel restaurants 		<u>CHIPOTLE:</u> TO AMERICAN FRANCHISES— <ul style="list-style-type: none"> - Mexican food - Dine in- Quick and casual dining - Trend in culinary tourism - Pick and choose what goes into your meal TO LOCAL MEXICAN FOOD— <ul style="list-style-type: none"> - American Franchise - Americanized Mexican Food - Quick and casual dining - Affordable
COMPATIBILITY <u>TAIWAN:</u> <ul style="list-style-type: none"> - Demand for convenient, fast-food - Brand sensitive - High standards - Increasing attention to fresh and organic - Trend in culinary tourism - Trend in Mexican Cuisine - Lacks existing high-end, fast, American Mexican food franchises 		<u>CHIPOTLE:</u> <ul style="list-style-type: none"> - Convenient - American brand, perceived as quality - Higher-end - Fresh and quality ingredients - Mexican cuisine - An American quick and casual Mexican food franchise - Pick and choose <ul style="list-style-type: none"> - However, Mexican food at the early adopter stage - Maybe not a lot of people are familiar with/ will try
COMPLEXITY <ul style="list-style-type: none"> - Do people understand Mexican food? What goes into what? - People may not be familiar with the make your own meal styled restaurant - Most are exposed to American food trends, including Mexican Food - Also, the majority of the population is literate - CMG has steps posted 		
DIVISIBILITY <ul style="list-style-type: none"> - Pricing within food budgets of local consumers - Don't have to be committed: Don't like it? Don't have to go back - Minimal expense 		
COMMUNICABILITY <ul style="list-style-type: none"> - Depending the ads- its mission may be easily communicated - Image of food can be easily communicated - "Chipotle as a quick and casual restaurant" may be more difficult to communicate - Fact that its an American brand may also be difficult to communicate, but using English may 		

achieve it
