

Case Report

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Article

Crisis Management and PR Recovery: Navigating the *E. Coli* Outbreak and Strategies for Rebuilding Public Trust

Nigar Karimova

Abstract: This paper analyzes Chipotle Mexican Grill's public relations strategy in response to the 2015 *E. coli* outbreak that severely impacted its reputation and financial standing. The company's delayed initial response exacerbated the crisis, leading to a significant decline in stock prices and consumer trust. However, through leadership changes, enhanced safety protocols, strategic marketing campaigns, and customer loyalty programs, Chipotle gradually rebuilt its image and began to recover financially. The paper explores the short- and long-term effects of the crisis on Chipotle and outlines key lessons for companies facing similar PR challenges, emphasizing the importance of swift crisis management, transparency, and proactive communication in restoring public confidence.

Keywords: crisis communication; *E. Coli* contamination; public trust rebuilding; foodborne illness outbreak; corporate reputation management; crisis response strategy

Executive Summary

In recent years, public relations teams have faced an increased burden in creating and maintaining beneficial relationships with the public since incidents can quickly become viral. This case study examines Chipotle Mexican Grill's response to a 2015 *E. coli* outbreak in order to provide insights on short- and long-term strategies that companies can use to mitigate incidents that damage the company's image.

Introduction

Many people may be familiar with the United Airlines passenger getting dragged out of his seat because of the airline's overbooking. That incident was filmed by another passenger, probably on his or her smartphone, and was published on the Internet because he or she wanted to share that experience as well as to give insight to United Airlines' questionable business practices. The video was shared by millions of people, and now United Airlines will be associated with awful customer service for quite some time. That is an example of a bad public relations incident.

According to the Public Relations Society of America, public relations, also abbreviated as PR, is "a strategic communication process that builds mutually beneficial relationships between organizations and their publics" (PRSA Staff 2012). To put it in simple terms, PR is the relationship between a company and the public. It is important to maintain a positive public relation because negative public perception will directly impact the company's financial health and success as a company. Whether it is a negative or positive perception, customers will want to share their opinions with their friends and family. Especially with the current accessibility of technology, PR incidents can spread virally in a matter of hours.

Chipotle Mexican Grill, similarly to United, has gone through a PR incident in 2015 with its *E. coli* outbreak and health scare. Because Chipotle broke the customers' trust in the relationship, its reputation and stock price took a significant hit. After a year and a half, however, Chipotle seems to be on its way to recovery. What were the necessary steps that Chipotle took in response to the PR incident? What were the short-term and long-term impacts to the company and what can other

companies learn from them? Using Chipotle as an example, this case study will offer insights into how companies can strategically respond to PR incidents.

Background

Chipotle Mexican Grill is a global Mexican food restaurant with more than 1,900 locations and 45,000 employees. Chipotle focuses on naturally raised meats, organic ingredients, and locally sourced products. With “Food with Integrity” as its slogan, Chipotle found its success by attracting customers looking for a healthier alternative to other fast food restaurants. However, in late 2015, Chipotle would go through a series of events that contradicted its core values. In the months of August through December, around 500 people across the country were found with various illnesses such as salmonella, norovirus, and E. coli from eating at various Chipotle locations (Scudder 2016).

In addition to this incident being on every news channel, social media helped this spread to a large amount of people in a short period of time. The hashtag #chipotlecoli started trending on Twitter, and there were numerous people publicly speaking badly about Chipotle and its business.

Findings

Slow Official Response Exacerbates PR Problem

Chipotle was slow to respond. Although the first incident in August should have been a warning sign, there was no official response from the company until early December. To make things worse, that first response was senseless and unapologetic. The CFO Jack Hartung blamed the US Centers for Disease Control (CDC) and the media for making things seem worse than it was (Wahba, 2015). Then, in December 10th, Chipotle finally took the right step towards recovery by having the CEO Steve Ells go on the *Today Show* for an interview. Ells publicly apologized, elaborated on the advanced safety protocols that will be put in place, and assured viewers that Chipotle will be the safest place to eat. Ells stressed the fact that their new safety practices will now be 10-15 years ahead of the industry standard (Stump, 2015).

In addition, Chipotle decided to close all its locations on February 8th for a safety discussion, and offered free burrito vouchers to customers for having their locations closed that day. Needless to say, the delayed response to the PR incident had a negative impact on the financials of the company. Chipotle’s stock price went down by 30%, sales went down by 11%, and its net income went down by 44% in the fourth quarter of 2015 (Scudder, 2016).

Internal and External Changes

To rectify this disaster, Chipotle had to make some major changes that would show the public that the company is taking actions.

Revised Organizational Structure

Chipotle also assigned four new board members, and switched to a single CEO rather than having Co-CEOs, in order to improve leadership within the company (Xia 2016). This demonstrated that Chipotle was acknowledging the problem, and that it was making a companywide decision to make sure that health problems never arose again.

Marketing

After showing that it was dedicated to food safety, Chipotle also had to execute marketing plans to bring the customers back. Chipotle published a dedicated page on their website for food safety advancements, listing out the 8 things that they did after the E. coli incident in detail. These included supplier interventions, advanced technology, farmer support & training, enhanced restaurant procedures, food safety certification, restaurant inspections, ingredient traceability, and advisory council (Chipotle Mexican Grill 2016).

Chipotle brought out menu changes including the introduction of Chorizo and testing new dessert menus, while continuing to expand the number of stores in 2016 to attract new customers as well as returning customers (Xia, 2016). Chipotle's temporary loyalty program, Chiptopia, saw success, bringing in more than 3.6 million participants (Whitten, 2016). This loyalty program offered free burritos to customers who had purchased certain number of burritos. This was effective because it had customers coming back for points, while building a database of email list for email marketing (Chamlee, 2016). Chipotle also launched its first TV ad for the first time in four years, and doubled its marketing spend year-over-year in the third quarter of 2016 (O'Reilly, 2016). **Recovery 18 months On**

Although nowhere near the financial health of pre-E.coli incident, Chipotle seems to finally be on the right track to recovery. Chipotle's stock has increased almost 20% in 2017, thanks to its

14.7% sales increase in December and 25% increase in January (Levine-Weinberg, 2017). Chipotle's Q1 earnings report in April revealed that it beat analysts' expectations in terms of earnings-per-share, revenue, as well as sales.

Chipotle's reputation is also recovering according to a study by Market Force (2017): "Chipotle's effort to improve its customer service over the past 18 months is clearly paying off as it managed to earn a top-three rating in every category except value, including taking first place for food quality, cleanliness, and curb appeal" (p.1). As of May 2017, Chipotle's stock price has increased by 35% compared to its lowest point in October 2015.

Lessons Learned from Chipotle

There are many lessons that can be learned from this PR incident. Although it may seem obvious, Chipotle should have always had those new health protocols that they have implemented.

Because their brand is built around "Food with Integrity," there was added irony that the brand was associated with health diseases. Another thing that Chipotle should have done was to issue an official statement immediately in August 2015 when the first glimpse of health issues arose. Blaming the government and media was erroneous and told customers that the company was not owning up to the mistake, and suggested that the incident could happen again in the future. For any company, the best thing to do would be to put preliminary health practices, trainings, and protocols in place to avoid issues at all cost (Scudder, 2016). The cost in implementing these practices are justifiable compared to the risk and cost of a PR incident happening.

In case a PR incident does happen, companies should have a set plan or response, or crisis management plan to various "worst scenarios" so that the response can be as quick as possible. It would be best to update the crisis management plan at least annually, have a crisis management team properly trained to react to PR incidents, as well as to run drills or exercises to test the crisis management plan and team (Coombs, 2014).

In terms of recovery, Chipotle rectified the issue by sending a public message from the CEO acknowledging the problem and proposing measurable solutions. Their ultimate response illustrates that it is important to be transparent, empathetic, and demonstrate action.

A company could also use a PR incident as an opportunity, like how Chipotle stressed on how it would rebrand itself as the safest place to eat. The marketing push such as new menus, loyalty programs, and TV ads, helped attract customers that were willing to give Chipotle a second chance. When a customer is given a financial incentive, whether through coupons or free burritos, he or she is more likely to be persuaded back into the store (Chamlee, 2016). With time, customers will focus on the new company message, eventually forgetting the incident. Although in the short-run, public scrutiny of the brand will be intensified, in the long-run companies can use public errors to realign their operating procedures, internal structure, and brand, leading to steady financial gains.

Conclusion

In conclusion, public relation has a huge impact on a company's financial health. A company needs to have proper practices in place to ensure that an incident does not happen, as well as having a proper crisis management plan to be able to act quickly in case something does. In response to an

incident, a company needs to put out a public statement acknowledging the problem, describe how the company plans to fix the problem, and leverage various marketing campaigns to attract customers and gain customers' trust back. The company needs to realize the road to recovery will be long and painful. Rather than thinking about how to stop the bleeding, it should think of sustainable long-term practices that will get to the root cause of the problem.

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