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Chipotle Co-CEO Cut From Menu; Board Changes Pending

by Thom Forbes, Featured Columnist @tforbes, 98 minutes ago

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Montgomery (Monty) Moran, a high school buddy of Chipotle Mexican Grill founder Steve Ells and his co-CEO since 2009, resigned yesterday as performance continues to lag in the wake of the restaurant chain's difficulties with [food-borne illnesses](#).

As chairman and sole CEO once again, Ells will directly oversee restaurant operations, strategic initiatives and innovation projects at the company, which has more than 2,200 locations in five countries and has been public since 2006.

"Given the ongoing challenges facing the company, the board felt strongly that it was best for Steve to resume leadership of the company going forward," lead director Neil Flanzraich [says](#) in a news release announcing several changes at the company, which has seen both its sales and market share eroding.

But observers say an additional shake-up is overdue.

"Having two CEOs did not serve Chipotle well once the food safety crisis hit, so this is only a modest step forward. Lots more needs to be done to refresh the board," Keith Mestrich, president and CEO of Amalgamated Ban, [tells](#) Reuters' Lisa Baertlein and Sruthi Ramakrishnan. "It still doesn't resolve the question of independent oversight," points out Derrick Wortes, director of equity strategies at CtW Investment Group,

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Chipotle's board "has come under fire for being too clubby. Most of the board members have been with the 23-year-old company from the start and have close ties to Mr. Ells," [reports](#) Julie Jargon for the *Wall Street Journal*. "At an average of 14 years, its members hold the second-longest tenure of any restaurant company board, according to Barclays Research."

Ells promised yesterday that proposed changes to the board would be announced soon.

He also "said the decision for Moran to leave the company was not the result of pressure from Pershing Square Capital Management, the hedge fund run by billionaire activist investor Bill Ackman that has acquired a roughly 10% stake in the burrito chain," [reports](#) Craig Giammona for *Bloomberg*.

Noted.

"The company has seen its stock, which peaked above \$750 shortly before the outbreaks, cut in half. Despite launching a handful of initiatives to attract lapsed customers such as a summer-long rewards program and an expansive marketing campaign, same-store restaurant sales decreased 21.9% last quarter," [reports](#) Austin Carr, who wrote an [extensive piece](#) on the flailing enterprise for *Fast Company* in October. "At a recent investor conference, Ells admitted he was 'nervous' about the company hitting its guidance for future sales," Carr writes.

Its shares closed up 3.3% on Monday, Tonya Garcia [reports](#) for *MarketWatch*, following the announcement.

She also points out that the company's efforts rank as the top food news story of the past year, [according to](#) Hunter Public Relations' Annual Food News Study. "The remaining topics in the top five in order are: the honeybee decline, listeria outbreaks, the genetically modified organism labeling bill, and the no-tip policy at restaurants," Garcia writes.

On other fronts, “Chipotle has been working to improve its customer service, with better training for employees. In the last six months, Chipotle has said that it attracted 33 million new or one-time customers that had stopped coming to its restaurants,” [points out](#) the Associated Press’ Damian J. Troise.

“Last week, Chipotle executives said that in part because of an [extensive new food safety program](#) the company instituted over the last year, the amount of time it took customers to get through the assembly line as their meal was made had increased,” Stephanie Strom [reports](#) for the *New York Times*. “Spot checks by executives and the company’s auditing team found used napkins left on tables, smudged windows and doors, and messy condiment stations. Some customers using the Chipotle app to order were told their meal would not be ready for 45 minutes to an hour.”

“Prior to the crisis, we would have maybe six, seven or eight changes to our operational protocols a year,” Ells tells Strom. He is assuming responsibility for those issues post-Moran, an attorney who had been COO before his elevation and continued in that role when he was named co-CEO. “Post-crisis, we’ve introduced dozens and dozens of them, and that’s a lot to handle.”

Ells also says he will work on tying employee incentives more closely with customer experience, the AP’s Troise writes.

A classically trained chef, Ells started Chipotle in 1993 with a small loan from his father. Yesterday, he also announced a [“reimagined company mission”](#) to “ensure that better food, prepared from whole, unprocessed ingredients is accessible to everyone.” Its mission has been to “Change the way people think about and eat fast food.”

Unfortunately for Chipotle, most recently that change in perception has been for the worse.