



CHIPOTLE

Leveraging Video Driven BI

A Case Study Examination of Chipotle



Chipotle Mexican Grill Uses Managed Video to Reduce Internal Theft, Lower Food Costs and Drive Profit Improvements



Chipotle Mexican Grill

- Second largest Mexican restaurant brand in the United States
- 1,350+ restaurant locations
- Pioneer in the fast casual industry

With more than 1,350 locations, more than 30,000 employees and a loss prevention team of just 5 people, it may be surprising that Chipotle Mexican Grill’s restaurant level margins are among the highest in the industry at 26%¹. However, Chipotle has built its position as one of the most successful restaurant brands in the country by doing things differently.

From the beginning, Chipotle has embodied the idea that food served fast did not have to be a typical fast food experience. Today, Chipotle continues to offer a Mexican inspired menu served in a distinctive atmosphere. Through the company’s vision of food with integrity, Chipotle is seeking better food not only from using fresh ingredients, but ingredients that are sustainably grown and naturally raised with respect for the animals, the land and the farmers who produce the food. A similarly focused people culture enables Chipotle to identify and empower top performing employees and develop future leaders from within.

With this company mission, it’s no surprise that Tim Spong, Chipotle’s Director of Safety, Security and Risk, took a different path when implementing a video surveillance system in 2007. Not following the crowd has paid off for Spong, who has successfully leveraged Envysion’s video-driven business intelligence™ to establish a culture in which honest people are kept honest and theft has been dramatically reduced from average to industry leading at Chipotle over the last five years.

“I came to Chipotle in 2006 and found that what we had in terms of surveillance was a mix of VCRs and DVRs. The VCRs were completely hopeless, often not used at all, and the DVRs that we did have were not used much because they were not tied to the POS data, it was difficult and slow to access the data on the DVR over the Internet and access to the system was limited to only a couple of people in IT,” explains Spong. “We were covered if a robbery or slip and fall occurred, but otherwise we couldn’t use video for much since it was so difficult to access. In fact during the year and a half before we installed Envysion, we had reviewed video only nine times.”

Realizing the company’s aggressive growth plan would only exasperate the headache of managing video in their locations, Chipotle began exploring alternatives to their video system. At that time, DVRs were the de facto upgrade for VCR systems, but Spong realized they needed something more.



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Tim Spong, Director of Safety, Security and Risk

“I didn’t want to just swap in a DVR and end up with the same hassles as before. I needed a solution that would let me remotely access video from all of our restaurants, and I had to be able to centrally manage the whole system too. I wanted to be able to quickly see the health of all of my cameras and DVRs in a glance and to add users with the appropriate permissions in a few minutes,” says Spong.

So in 2007 Chipotle deployed Envysion’s highly scalable, centrally managed and bandwidth sensitive managed video as a service solution to all of its locations and gained the ability to grant and control access to video to hundreds of users throughout the company. Since deploying the solution, Chipotle has had more than 325,000 logins from its 1,300+ users. Shortly after expanding video access throughout the organization, Chipotle worked with Envysion to integrate its point of sale data into the solution and build custom exception based reports to further increase the value of video.

Video-Driven BI Drives Profit Improvement

Today, this video-driven business intelligence™ is an integral part of how Chipotle manages its day-to-day business and protects restaurant profitability. The company has incorporated the solution into its online audit program to prevent, identify and eliminate theft in the restaurant environment. Envysion’s reporting enables Chipotle’s loss prevention team to increase the efficiency and effectiveness of these audits by flagging high risk transactions. For example, Chipotle has custom reports that look for a high volume of small cash transaction, voids, refunds, discounts, no sales or comps. Envysion’s reporting automatically reveals exceptions to predetermined thresholds – employees who are ringing more of these transaction types than Chipotle would expect in the normal course of business – in a selected time frame with links to the associated video for quick validation of each transaction.

“Envysion’s video-driven BI has had a significant impact on our restaurant level profitability,” says Spong. “For example, the most common theft that we see happens when a customer orders a burrito and a soda and pays cash. Let’s say the proper amount of this with tax is \$9.00. The employee will charge the customer the nine dollars and make change in the correct amount as if the transaction



had actually been rung in properly. The only problem for Chipotle in this sort of theft transaction is that the employee will under-ring the transaction by ringing just a soda into the POS, thus the employee has earned a ‘profit’ for himself or herself equal to the difference between what the customer paid and what the employee told Chipotle about through the POS – in this example that would be the cost of a burrito. Through Envysion Chipotle is able to rapidly identify cashiers who are doing this, audit their transactions and remove them from employment with Chipotle.”

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Another helpful feature is the ability to stack rank employees nationally or drill down into specific territories. This helps focus the loss prevention team’s attention on the most risky behavior across the chain.

“Within a few minutes, I can run a report for all 1,350 of our locations, see all the exceptions across our 30,000 employees and drill into the video of the 10 or 15 transactions that matter. This is essential to increasing my team’s efficiency and effectiveness and not something that other providers offer,” Spong explains.

Since the solution is centrally managed, Spong can also grant access to the reports to restaurant general managers and area managers. Giving operations managers access to the same reports and video Spong’s team uses allows operations to understand where profit erosion is occurring in their restaurants, while also bolstering Spong’s loss prevention efforts.

“The more people we have reviewing suspicious activity, the more likely we are to catch theft early on, but we only allow managers to see the video and data for the locations they manage,” explains Spong.

In fact, managers are required to do a restaurant level cash handling review every two weeks, which includes the use of Envysion to review suspect transactions and monitor for appropriate cash handling practices, as well as operational execution. Managers report back to the loss prevention team with their findings. This strategy has been particularly successful in making everyone aware that Chipotle does not tolerate internal theft.

“The restaurant level cash handling reviews are part of an audit matrix, which includes a 45 day cash handling audit performed by our patch leaders and national safety, security and risk level audits done annually. All of these audits rely on Envysion. Through this audit program and



clear cash handling policies, we’ve established an excellent cash handling culture at Chipotle in which honest people are kept honest and theft, when not deterred, is caught,” adds Spong.

Chipotle Sees Sustained Results

To further drive their industry leading loss prevention results, Chipotle has recently engaged Envysion’s Video Services group, to perform loss prevention audits on the company’s behalf. Envysion’s team of auditors reviews Chipotle’s transactions and identifies cases of theft. Once Envysion’s auditors have the required evidence of a theft, they send all



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of the documentation and video to Chipotle, who takes the appropriate corrective action. This partnership has enabled Chipotle to eliminate a significant amount of internal theft.

“We estimate that every theft case we identify is worth \$5,000 to \$15,000, but the process from identifying suspicious behavior and validating the theft to termination or prosecution takes a lot of time and resources. We’ve been able to take advantage of Envysion’s team to free up our internal resources from the routine aspects of reviewing transactions to focus on strategic areas where we can add more value. Besides, Envysion can review a much larger volume of events than my team can internally.”

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Envysion’s loss prevention audits are just one of the ways Chipotle has realized sustained profit impact from the Envysion solution. A big advantage of having a scalable solution like Envysion’s is that you can give video access to any approved user. Chipotle’s marketing, finance, research and development, facilities and HR teams all take advantage of remote visibility to restaurants across the country.

“We’ve realized a sustained profit impact from Envysion over the last five years, both from maintaining and building upon the initial reduction in shrink we realized after first installing the system and from continually finding new ways to use video to improve our restaurants performance,” says Spong. “We’ve got every team from R&D to marketing to facilities using Envysion to understand what’s going on in the restaurant. Even our CEO uses Envysion.”

Further, Spong sees tremendous value in Envysion’s partnership approach. Envysion recognizes that its solution must be used to have an impact on its customers’ business, so unlike other providers that “sell it and forget it,” Envysion provides support and new functionality throughout the entire contract period.

“Envysion has always been very responsive to our needs and has developed feature enhancements to help us get more from the system,” says Spong. “They are truly invested in helping us improve our restaurants’ performance and profitability, and I view them as a valued business partner instead of another vendor.”

¹2011 Chipotle Annual Report

For more information and additional resources:
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About Envysion

Envysion enables large, national retail, restaurant, cinema and convenience store operators to increase profitability 10-15% by putting easy-to-use, video-driven business intelligence™ into the hands of the entire organization. Envysion created the Managed Video as a Service (MVaaS) model which transforms video surveillance into a strategic management tool that provides instant and unfiltered business insights to users across operations, loss prevention, marketing and human resources. The MVaaS model enables Envysion to accelerate innovation by rapidly responding to market opportunity and making new capabilities immediately available to all users. Envysion’s platform quickly scales to 1000s of locations and 10,000s of users without straining the IT department or network. For more information, visit www.envysion.com or call 877.258.9441.