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By Molly Armbrister (marmbrister@costar.com)

Chipotle's Fresh Start in Newport Beach Comes with Number of Benefits, Not Just for Local CEO

Fast Casual Chain's Move Near Brian Niccol's Hometown May Raise Eyebrows, but Chance to Revamp Image, Proximity to Talent More Likely Factors Behind Relocation

Pictured: 1414 Wynkoop St. in Denver's Lower Downtown area, where Chipotle operates nearly 47,000 square feet of office space. When a corporate relocation happens, especially one like Chipotle Mexican Grill's surprise decision to leave its hometown after 25 years in favor of Newport Beach, CA, it's easy to point to the fact that the company's new CEO significantly shortened his commute time by bringing the company closer to his home as the reason for the departure.

But site selection and economic development officials stress there are many factors at play when it comes to moving a headquarters, and that executives, especially of public companies, have a responsibility to their shareholders and employees that is supposed to take precedence over personal preference.

"It's highly, highly unusual that a CEO would make a relocation decision based solely on where he or she lives," said Jay Garner, president and founder of Garner Economics, an Atlanta-based company focused on economic development advisory services and research. "There are so many variables associated with relocation, and if it's a publicly held company, typically you won't see a CEO make that kind of decision because it's not in the best interest of their shareholders."

More likely, experts say, the relocation decision resulted from the consideration of many factors, including proximity to talent and the need to re-position the company.

"One of the most immediate ways that a CEO can make a mark on a new company is with a head office move," said John Boyd, principal of The Boyd Co., a Princeton, NJ-based company that specializes in site selection. "It's a way for a new CEO to re-engineer the brand."

And in Chipotle's case, brand recalibration is needed to overcome the negative perceptions in the marketplace stemming from a late 2015 outbreak of E. coli. The company has tried to bring customers back by introducing new products like chorizo and queso with some success, but the CEO change that brought Brian Niccol to the company from Irvine, CA-based Taco Bell was meant to signal a shift that would steer Chipotle back to its former heights.

With the move to Orange County, Boyd said, Chipotle (NYSE: CMG) can associate its company with the skillset, image and branding of Southern California while joining a market that is popular with other companies of its ilk.

Orange County is a hotbed for restaurant headquarters, due in part to its increasing association with lifestyle branding, something often sought by restaurant companies, including Chipotle.

And while Denver is home to an international airport, a deep population of educated millennial workers and an attractive lifestyle, the Los Angeles area is still connected to the global marketplace in a way that is completely unique, Boyd said.

Talent migrates to L.A. from all over the world, Boyd said, while Denver tends to attract from elsewhere in the U.S. Los Angeles International Airport is the fifth busiest in the world, compared to Denver International Airport's spot at No. 20, according to 2017 numbers released by the Airports Council International.

