Chipotle Venture into South Africa

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INTB 1203, Section 12

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11 December 2020

Executive Summary

In this report, we evaluate the possibility of expanding Chipotle Mexican Grill into South Africa. Chipotle's primary location is in the United States, so we analyze the cultural, administrative, geographic, and economic differences between these two nations. Although the countries are relatively similar, they differ in some aspects of each dimension. Also, we will perform an analysis of South Africa's corruption and environmental policies. Through this research, we have found that the best way for Chipotle to enter into the South African fast food market is through a wholly-owned subsidiary.

Next, we propose the methods by which Chipotle enters the new country. We take a closer look at the company's history and discuss how this compares with South African competitors' stories and values. Finally, we propose a market entry and staffing strategy and discuss how we will enter this country ethically. We recommend that Chipotle expands into the South African market using these approaches.

Introduction

Chipotle Mexican Grill, Inc. is an American chain of Mexican-style fast-food restaurants. Since its founding in 1993, it has seen explosive growth across the United States, with more than 2,680 locations. Recently, the firm has begun to look outwards, expanding into Canada and Western Europe. The restaurant serves customers using a similar process to Subway, using what the company refers to as a 'line.' Customers pick out the ingredients they want and then are charged for the contents they selected. This process allows for an engaging, personalized experience that attracts diners of all ages and backgrounds.

Chipotle prides itself upon environmental responsibility: it is their differentiator, the thing that separates them from other fast-casual restaurants. They are committed to using only local and natural ingredients. Chipotle doesn't carry freezers, microwaves, or can openers at any of their stores. We believe that, given Chipotle's unique style of personalized service, its moral standpoint, and the growing market for fast food in South Africa, now would be an ideal time for further international expansion.

Host Country Analysis

Cultural

One specific example of a cultural difference that would affect business operations in South Africa is the difference in the individualistic culture. In 1980, Geert Hofstede defined the Individualism vs. Collectivism theory as people's preference to act as individuals or in groups. The leaning towards individualism or collectivism impacts people's values in the workplace. According to Hofstede's insights, South Africa's most noticeable difference is individualism vs. collectivism. South Africa has an individualism score of 65 compared to the United States' score of 91 ("Country Comparison," n.d.). This score outlines South Africa's high preference for a

loosely-knit social framework where people only expect to only take care of themselves and their immediate family. Like the United States, the employer/worker relationship is a mutually advantageous contract built on a meritocracy. Though both countries hold an individualist culture, the United States has the strongest. To address this discrepancy, Chipotle needs to expand its targeted consumers beyond millennials and young professionals when entering South Africa. In a more collectivist culture like South Africa, families or groups of people will make up a significant customer segment in Cape Town. Marketing to a collectivist culture can take up different forms. Chipotle can run campaigns geared more towards groups instead of individuals. Another way to address this difference in cultures is to create promotions offering reduced prices for children to attract consumers to bring their families. Lastly, Chipotle can implement a new "family meal" option similar to other successful chains in South Africa like KFC and Nandos.

Administrative Distance

The South African Government is more advanced than other governments in Africa, with more robust and developed governmental policies (Fitch Solutions, 2020). The three most critical administrative factors are tax structure, tariffs, and administrative efficiency.

Starting with the tax structure, South Africa and the United States' main difference is South Africa uses a value-added tax (VAT) instead of a sales tax. Any company making more than 66,000 US$ a year must pay a 15% VAT on all goods and services supplied ("VAT," n.d.). A VAT system will raise sourcing costs because Chipotle will need to pay a 15% tax on all purchased ingredients. A VAT system requires every member of the supply chain to pay a tax when they "add value" to the eventual finished product. In Chipotle's case, it pays tax on its raw ingredients because it "adds value" to these resources by creating a meal from them. Chipotle does not have this cost in the United States under the sales tax system because U.S. law only

requires the end producer to pay the tax, which companies often make the customer pay. Essentially, Chipotle will gain a 15% tax on all ingredients sourced when moving to South Africa.

Moving to tariff rates, South Africa has diverse farmland to support Chipotle's local sourcing strategy, but Chiptotle will still need to import some items. Generally, South Africa enforces tariffs on every product except rice because it can not produce rice on its own. However, South Africa is in numerous regional trade deals/alliances that eliminate tariffs. South Africa has the Preferential Tariff for European Union Countries, eliminating import tariffs for all E.U. countries ("Tariff Explorer," n.d.). The Regional Preferential Tariff for South African Developmental Community eliminates import tariffs for Madagascar, Tanzania, Mozambique, and Zimbabwe ("Tariff Explorer," n.d.). Lastly, the South African Customs Union eliminates import tariffs for products from the Democratic Republic of the Congo, Namibia, and Botswana ("Tariff Explorer," n.d.). The three most important import requirements for Chipotle will be peppers, rice, and beans. Fortunately, Chipotle can import these ingredients tariff-free if sourced from nearby countries or the E.U. If Chipotle can not find a zero-tariff trade partner, the beans and peeper tariffs will be 5% and 15%, respectively ("Tariff Explorer," n.d.).

Lastly, the general efficiency of administrative tasks in South Africa is much slower than in the United States. As shown in **Exhibit A**, it takes much longer to register property, fulfill tax requirements, and solve insolvency issues because the Government processes administrative tasks slower. Additionally, it takes much longer to export and import goods. Grease payments are seen as unethical in South Africa - and are illegal under the Foreign Corrupt Practices Act - so advanced planning will be necessary when creating, building, and managing the subsidiary.

Geographic Distance

For geographic distance, Chipotle's main concern is local sourcing and logistics management. As mentioned, South Africa has diverse farmland depicted in **Exhibit B**. Chipotle can source all of its ingredients from within South Africa (dairy, cattle, fruits, vegetables, spices, corn, wheat, and soybean oil) except rice, beans, and chili peppers. In **Exhibit B**, farmland near Cape Town can supply all the ingredients needed; however, the bigger and more robust farms are located farther east near Johannesburg ("South Africa: Agriculture," 2015).

Local sourcing of fresh ingredients means large and frequent food deliveries, which demands robust transportation infrastructure. South Africa has one of the most expansive transportation systems in Africa. However, there are still significant problems. The South African Government has a well-funded road system but a severely underinvested rail network. As a result, South Africa has the third-highest road density in Africa, which means trucks have clear access to both cities and rural areas (Fitch Solutions, 2020). However, lack of investment in railroads has led to less flexible railroad routes, higher freight costs, higher incidence of rail accidents, union strikes, and an overreliance on the road network. These factors overburden and crowd the roads, posing risks for many domestic supply chains (Fitch Solutions, 2020). The crowded highways, combined with high crime rates, leads to high accident rates and higher cargo theft and hijacking instances (Fitch Solutions, 2020). Since Chipotle will be sourcing from farms in rural areas, it will need to use the expansive road system and work around its congestion issues.

Also, Chipotle will need to import bulk quantities of rice, along with smaller shipments of beans and peppers through cargo ships. Cape Town has a port nearby, but the Cape Town port also has severe congestion problems. The Government estimates that the Cape Town port has lost 1,500 ship days per year due to congestion (Fitch Solutions, 2020). When importing

ingredients, Chipotle needs to establish a flexible supply chain and plan contingencies for delivery delays.

The congestion issues, both via truck and cargo ship, will impact Chipotle's variability and pricing. As mentioned, fresh and local sourcing requires daily deliveries to replenish the store. Frequent late deliveries could leave the restaurant with no food to serve customers, so Chipotle can not afford a large standard deviation in supplier delivery time. If the variability in lead times gets very bad, Chipotle may need to raise costs by resorting to much more expensive yet reliable transportation forms like airplanes. However, air travel should be reserved for emergencies as its high price makes it an unsustainable transportation method for low-value products like food.

Economic Distance

Chipotle will be able to maintain a competitive advantage through a differentiation strategy. Chipotle prides itself on its ability to source natural chicken and pork meat and prepare its offerings quickly. The chain's green initiative policy of recycling glass and plastics helps promote Chipotle's brand awareness. Offering food tied with integrity provides a significant competitive advantage for Chipotle South Africa. Chipotle ethically and naturally produces its food, resulting in tastier meat than what other restaurants serve. Chipotle's primary customer segment is young millennial professionals. South Africa is home to over 14 million millennials, or around 27 percent of its population. A study by Nestpick showed that Cape Town, the only African city on the list, ranked 77th in the top 100 most millennial-friendly cities (Nestpick, 2018). Chipotle will need to keep the millennial demographic in mind when opening the subsidiary.

Among other things, targeting Cape Town works explicitly well due to the region's economic prosperity. On average, Cape Town has a per capita GDP that is 32% higher than the national average (“Cape Town's Economy & Infrastructure,” n.d.). The Western Cape economy in South Africa is dominated by the city of Cape Town, which accounts for 72% of the Western Cape's economic activity in 2016 (“Cape Town's Economy & Infrastructure,” n.d.). Customers in Cape town can afford slightly higher-priced food, which is what Chipotle is offering. Despite existing Mexican chains like Mochachos, Chipotle offers unique value that will set them apart in this market.

Corruption/Sustainability Efforts

An essential part of the company's expansion into the South African market is the host country's corruption. South Africa scored 44/100 in the 2019 Corruption Perceptions Index (CPI), placing the country at number 70 out of 180 countries ("Country Data: South Africa," n.d.). This figure shows a significant amount of corruption in South Africa, relative to the rest of the world, which directly correlates to lower economic growth levels and difficulty in conducting business. In 2018, South Africa elected President Cyril Ramaphosa, who has vowed to rid the country of cronyism and corruption. So far in his regime, South Africa has improved in many metrics related to corruption in the country. In 2019, South Africa had the highest score in several measures of corruption and wellbeing in their region, including control on corruption and gender equality as seen in **Exhibit C**. Currently, thirteen public sector agencies have a particular role to play in combating graft, which is the most of any African country ("Why is Corruption Getting Worse," n.d.). Chipotle can navigate and fight this corruption in South Africa by building dynamic and continuous exchanges between key stakeholders: Government, citizens, business, civil society groups, and media.

South Africa has been facing an increasing number of environmental and sustainability issues, including air pollution, deforestation, climate variability, excess waste, and littering. South Africa's firm reliance on fossil fuels has perpetuated these issues. Chipotle is one of the most socially responsible companies in the world, according to Newsweek, which ranked companies using environmental, social, and corporate governance measures. Each year, Chipotle releases a sustainability update report, with the most recent one in 2019 discussing Chipotle's mission to "Cultivate a Better World." Currently, 92% of Chipotle restaurants participate in waste diversion programs, and 91% of restaurants have a recycling program. Chipotle also was the only restaurant chain to score an 'A' on the 2019 chain reaction scorecard, as seen in **Exhibit D**. Chains are graded based on their policies and practices regarding antibiotics use and transparency in their ingredients supply chains. ("Sustainability Report Update," 2019). When opening the Cape Town location, Chipotle should implement these waste reduction measures to ensure the restaurant does its part to better the environment. Just a few weeks ago, in late October, Chipotle launched a sustainability and transparency tool that gives customers an inside look at the brand's sourcing efforts by providing customers a snapshot of Chipotle's sustainability and sourcing efforts compared to the industry average ("Chipotle Launches Real Foodprint," 2020). This tool makes customers more conscious of their impact on the environment and shows that Chipotle is committed to reaching higher sustainability levels. Chipotle will bring its values of changing food culture for the better to South Africa and improve the country's corruption and sustainability efforts.

Strategy Analysis

History/Overview

Chipotle's founder Steve Ells attended the Culinary Institute of America. After working at taco stands in San Francisco, he decided to open a Mexican restaurant called Chipotle Mexican Grill in Colorado, using an $80,000 loan from his father. In its first five years of operation, Ells opened thirteen stores in Denver. In 1998, McDonald's invested about $360 million into the brand for a minority stake, which helped Chipotle take off and further its expansion. Today, Chipotle has 2,686 locations in the United States, with its most significant presence in California, with 433 locations in the Golden State.

Quite recently, Chipotle has been expanding internationally. The company opened its first international location in Toronto, Canada, in 2008 and today boasts twenty Chipotle restaurants in Canada ranging from sites in Vancouver to Ottawa. In 2010, Chipotle opened its first location in Europe, in London's Charing Cross Road. Today, there are nine Chipotle locations open across the United Kingdom, and more recently, Chipotle has opened restaurants in Paris, France, and Frankfurt, Germany (“Chipotle Mexican Grill,” 2020). **Exhibit E** maps Chipotle's international presence. Sales are growing rapidly in Germany, France, and Canada but have staggered in the U.K. recently, presumably because the Mexican taste has not developed in British culture. Chipotle hired a managing director for its European operations in late 2016. The person chosen for the job, Jim Slater, has made a career building successful European brands. Slater previously played leading roles in the expansion of Costa Coffee and Bombay Sapphire Gin into the European market. Slater recently said it is essential for Chipotle to manage its growth well, but it will take the right opportunities to continue expanding as they arise (Carson, 2016). Chipotle has a tremendous opportunity to enter the South African market and continue to develop its brand in the city of Cape Town.

Financial Analysis

As shown in **Exhibit F**, Chipotle's significant competitors in the South African market are KFC, Nandos, and Mochachos. These restaurants all together hold roughly 27% of overall sales in South African fast food, and their business models directly compete with Chipotle.

KFC is a huge international chain specializing in fried chicken, and it is the top fast-food restaurant in all of South Africa with over 800 open locations. In 2019, KFC's net income was about six times larger than Chipotle, but this follows given the sheer size of the chain. In general, its returns (ROA, ROE, ROS) are only slightly higher than Chipotle. Chipotle focuses on using higher-quality ingredients and thus gain higher transport and maintenance expenses to uphold these values, which attributes to the slightly lower rate. Although its vast market share may pose a threat, Chipotle will differentiate given the different dining experience. While KFC offers a quick and easy meal, Chipotle provides both efficiency and a healthy choice. Chipotle also provides an opportunity for customization that extends beyond what KFC can offer. Chipotle can find a foothold in the market, given the very different dining experience.

Nando's is a South African fast-food chain that specializes in Portuguese-style chicken. With over 300 locations open across South Africa, it is the biggest chain of internationally themed food. Nandos may pose direct competition to Chipotle because it also offers an international dining experience. Overall, Nando's is a much smaller chain than Chipotle, with a net income of about one-fifth of Chipotle. However, Nando's sees higher returns on assets, equity, and sales, which means Nandos allocates funds and investments very well. Fortunately for us, although Nando's is technically 'fast food,' its dining style is vastly different. While Nando's offers a family-style experience, Chipotle offers a quick, personalized experience. Chipotle hopes to attract on-the-go customers, while Nando's attracts those looking for a sit-down meal.

Finally, Mochachos is a South African Mexican-style fast-food restaurant. Unfortunately, not much financial information is made available because they are privately owned. It is estimated that in 2019, they took in about 900,000 US$ of revenue. These numbers may appear small compared to Chipotle's $5.6 billion in revenue. However, Chipotle must keep in mind the variation in GNI per capita in South Africa versus the GNI per capita in the United States. Since the chain's founding in 1994, they have seen tremendous growth and opened over 100 locations. We feel that the rapid growth of this chain shows us two things: (1) South Africa has a taste for Mexican-style dishes, and (2) Mochachos will be Chipotle's biggest direct competition. Luckily, Mochachos offers a different dining style and business model than Chipotle. Mochachos offers a sit-down, family-style dining experience similar to Nando's. They offer only chicken dishes, but they also stress the importance of high-quality ingredients. Chipotle can gain a competitive advantage over Mochachos through the speed of service and variety of ingredients. Chipotle can further differentiate itself from this competitor through the atmosphere of its stores. Mochachos describes its atmosphere as "funky and modern," using a red and yellow color scheme. Chipotle strives for a cleaner look, using a maroon and gray color scheme. Chipotle's distinct atmosphere and different service styles, means it can offer something new to the South African market that cannot be satisfied by Mochachos.

Pricing

Given the price index of a chicken burrito meal (or a very similar meal) shown in **Exhibit G**, we can compare competitors' prices. When Chipotle enters South Africa, it should expect to charge prices of around 60 R or $4.00 to stay competitive but still cover the costs of ingredients and labor. **Exhibit H** breaks down Chipotle's costs and estimates the input costs of one burrito.

Mode of Entry

Chipotle hopes to expand into the South African market with a wholly-owned subsidiary entrance plan. In this plan, Chipotle would retain a 100 percent share in the profits generated in a foreign market. Through this entry mode, Chipotle reduces the risk of losing control over that company by retaining tight control over the operations in South Africa. When expanding to the Canadian and French markets, Chipotle set up wholly-owned subsidiaries, named Chipotle Mexican Grill Canada Corp. and Chipotle Mexican Grill France SAS, respectively. Back in its earlier days, Chipotle franchised some restaurants, but by 2007, but it had re-bought those locations, and now the chain is entirely company-owned. When expanding to the South African Market, Chipotle should set up a wholly-owned subsidiary named Chipotle Mexican Grill SA Corp.

Alternatively, Chipotle could look to change up its strategy and begin to franchise once again. Although franchising has not been something that Chipotle has done recently, new Chipotle CEO Brian Niccol said that Chipotle might consider franchising going forward. Although that has not come to fruition yet, it is still an option to look at going forward. The South African market has allowed for a favorable franchising scene for many of Chipotle's competitors, including KFC and Nando's. If Chipotle were to franchise restaurants out, it would be advantageous because Chipotle would not need as much capital for the restaurants. Also, there is much value in having a franchisor heavily invested in the company who would want their Chipotle location blossom. If Chipotle were to begin to franchise, it would require the franchises to buy ingredients from Chipotle approved vendors to ensure Chipotle maintains a quality final product. At this moment in time, we believe that franchising is not the best mode of entry for South Africa.

Staffing/Labor Policy

When expanding to the South African market, Chipotle plans to implement an ethnocentric staffing policy, where parent-country nationals fill all key management positions. The company would send executives who have been with the restaurant for many years and know the brand well to ensure that they transfer Chipotle's values and processes to the South African location. After a certain period, when there has been a transfer of processes and values, Chiptole will switch over to a geocentric staffing policy. Chipotle should search for the best available people for the job regardless of where they are from, which will allow the company to make the best possible use of its human resources.

Hiring and training employees is a large aspect of Chipotle's expansion into the South African market. The company plans to bring in employees with extensive South African restaurateur industry knowledge and work with managers who have been with Chipotle for several years. This strategy ensures that the new restaurant will have the best possible resources to be successful. When looking to pay employees, Chipotle plans to pay its workers higher than the current South African minimum wage of 20 rand ($1.45) an hour, perhaps with a starting salary of $3.63 US$ (two and one-half times the minimum wage), to be consistent with Cape Town's standard of living. Chipotle also offers a wide array of industry-leading benefits, ranging from education assistance to retirement savings and many more, which Chipotle employees in South Africa would receive.

Chipotle does not tolerate labor unions in any capacity, presumably because it believes that employees will gain too much power from them[1]. The company has had some issues with labor law in the past. Chipotle fired one New York employee for complaining about workplace issues and for attempting to form a union. The store manager allegedly threatened other workers

[1] Although Chipotle does not tolerate its employees being involved in unions, as a group, we believe that the utilization of labor unions are important and a necessity for employees today in the workforce. Labor unions protect employees and can be very beneficial to the economy as a whole.

by telling them he would fire them if they organized a union. As a result, the general counsel of a U.S. labor agency accused Chipotle Mexican Grill of violating U.S. labor law for firing this employee. The company may face penalties depending on the ruling of the case. As of now, Chipotle may look to overhaul its perception towards labor unions in the future and perhaps change its policies to be more union-friendly.

Regulatory Voids/Norm-Taking/Norm-Making

Regarding regulatory voids, there is little supervision of the emissions of greenhouse gases in South Africa. The country is the world's 14th largest emitter of greenhouse gases. Its CO2 emissions are principally due to a heavy reliance on coal ("The Carbon Brief Profile," 2018). As Chipotle expands into the South African market, it will be very conscious of this fact and make sure that it helps to alleviate these numbers. In its restaurants in 2019, Chipotle reduced 4,393 tons of carbon emissions via its in-restaurant energy management systems ("Sustainability Report Update," 2019). Chipotle will look to implement similar measures in South Africa to ensure that it can contribute to lowering greenhouse gas emissions in the country.

Chipotle is at the forefront of the restaurant industry when it comes to social responsibility. The company focuses on the triple bottom line, considering the financial concerns of its operation and the social and environmental impacts. The company has been conscious of its effect on the environment for decades now. In 2009, Chipotle Mexican Grill in Illinois was the first-ever restaurant to receive LEED certification (Leadership in Energy & Environmental Design). The restaurant had its own wind turbine, a 2,500-gallon underground water cistern to harvest rainwater, and high-efficiency HVAC units to reduce energy consumption, among other environmentally friendly features ("Chipotle Earns the First," 2009) . In a social capacity, Chipotle has formed employee resource groups, including Humans Uniting to Support the

Ladies' Experience (HUSTLE) to support women in the workplace and Chipotle Pride to foster an inclusive work environment for the LGBTQ+ community ("Sustainability Report Update," 2019). In its expansion to South Africa, Chipotle would keep striving to be as socially responsible as it can. Chipotle will continue to innovate within the restaurant industry and maintain its high social responsibility levels in its expansion efforts.

Recommendations and Implementations

We believe that the South African market affords favorable conditions to expand Chipotle Mexican Grill. Our recommendation to the board of directors is that Chipotle should venture into South Africa through a wholly-owned subsidiary. Based on the South Africa analysis and our strategy analysis, we believe that the Chipotle brand can be very successful and eventually bring massive profits. Alongside this significant choice, we close this report with three key recommendations for the implementation of the Chipotle restaurant.

Our first recommendation would be to allow labor unions to exist in the South African subsidiary. Chipotle preaches its values to cultivate a better world and allowing unions in this restaurant is the next step toward this vision. Labor unions can be beneficial to Chipotle as unionized workers tend to be more productive and have lower turnover rates. Low turnover will be crucial when we begin our operations since training costs will be very high. We also want employees to stay with Chipotle long-term, which is far more attainable if labor unions are in place.

Our second recommendation for Chipotle is to diversify its transportation network. Chipotle serves fresh ingredients and never freezes its food, which means the restaurants hold very little inventory. As mentioned in the geographic distance section (page 5), Chipotle needs a supply chain with little variability in a country where congestion and traffic make road, rail, and

cargo transportation unreliable. There are a few supply chain strategies we can utilize to limit the number of late deliveries. First, we recommend diversifying the supplier base by working with numerous farms in South Africa. A vast supplier network means if one supplier defaults on an order, we have other suppliers ready to ship ingredients to our store. Secondly, Chipotle should find suppliers that can provide the most comprehensive array of ingredients possible. This strategy will reduce the number of shipments sent to Chipotle as suppliers can consolidate their ingredients into a large shipment. Reducing the number of deliveries to the restaurant lowers the fixed cost per delivery and reduces congestion around the restaurant. Third, we should invest in our suppliers to start a long term partnership. Chipotle contributed half a million dollars to farmers in 2019, and we look to continue this trend in South Africa. We believe that long term partnerships are the most ethical and efficient decisions to make. Investing in suppliers' long-term means they will grow more profitable, increase their farming capabilities, and receive fair payment. Chipotle also benefits from the long term orientation because it can closely integrate processes with suppliers. Integrating information technology and utilizing radio frequency identification devices (RFID) will enhance communication, efficiency, and visibility with suppliers, ultimately decreasing delivery variability. After analyzing these three factors, we recommend working with two to four big suppliers around the Cape Town area. We feel this number protects Chipotle from overreliance on a single supplier and gives Chipotle economies of scale through consolidated deliveries.

Our last recommendation is to be cognizant of trade deals. Even though South Africa has a free trade deal with the E.U., we recommend that Chipotle import its needed products (rice, beans, and peppers) from the South African Developmental Community (SADC) or the South African Customs Union (SACU). An average Chipotle restaurant goes through twenty-five

metric tons of beans and sixteen tons of vegetables per year ("Chipotle Sales Have Dropped," 2016). Applying the respective 5% and 15% import charges, Chipotle would pay 2,500 US$ a year in tariffs. 2,500 US$ is a relatively small cost for a restaurant like Chipotle; however, since vegetables are perishable items, Chipotle needs to import peppers frequently. Frequent importation would drastically increase transportation costs if Chipotle sourced from far away countries like the E.U. Overall, import costs will initially be small, meaning that Chipotle should focus more on sourcing location rather than the existence of a trade agreement. The SADC and SACU would be the best option, but trading with nearby a non-partnered country and paying tariffs will be cheaper than sourcing from Europe due to the lower transportation costs.

Exhibit A

It takes 45 days to start a business in South Africa compared to 5.6 days in the U.S.

Business administration

	Time needed to start a business[1]	Time needed to register property	Time needed to fulfill tax requirements	Time needed to resolve insolvency[1]
South Africa	45 days	23 days	210 hours	2.0 years
The U.S.	5.6 days	15.2 days	175 hours	1.0 years

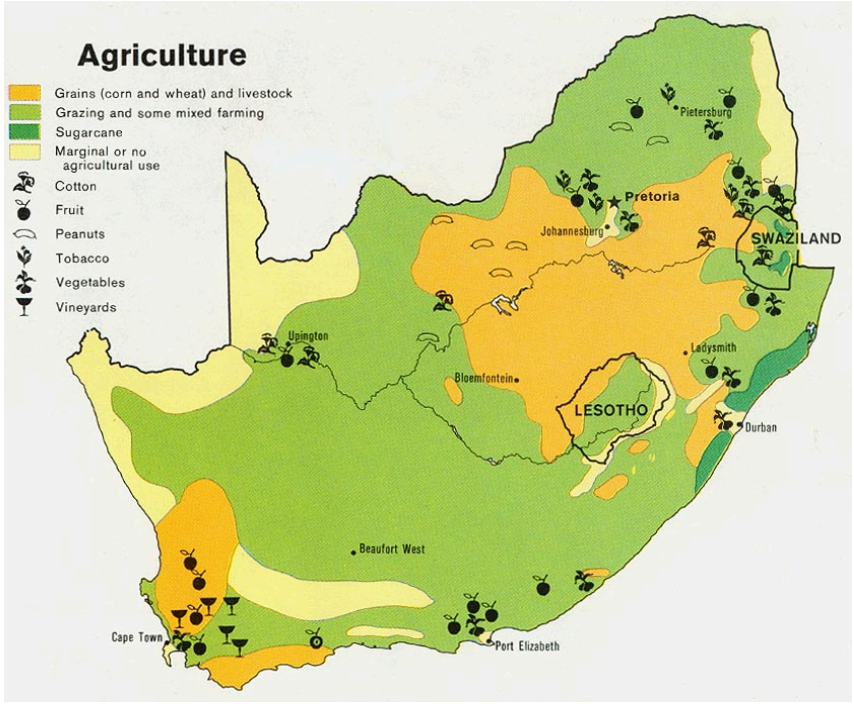
Delivery

	Time needed to export[1]	Time needed to import[1]	Efficiency of customs clearance[1]
South Africa	16 days	21 days	3.1
The U.S.	6 days	5.4 days	3.7

27 1: See glossary for definitions
Sources: World Bank 2018

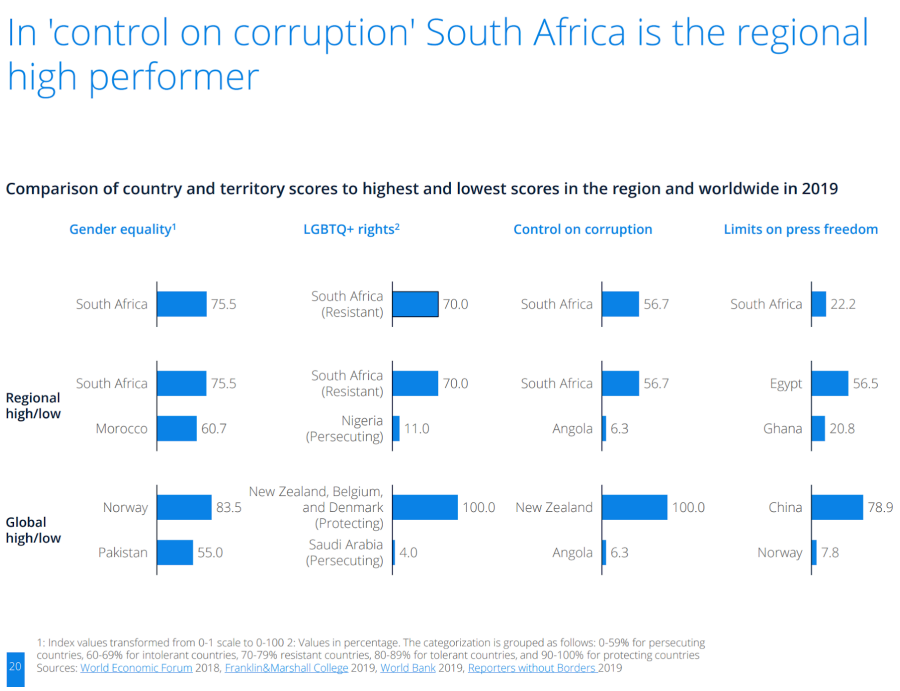
(Mälkki & Barth, 2019)

Exhibit B



("South Africa: Agriculture", 2015)

Exhibit C



(Mälkki & Barth, 2019)

Exhibit D



(Sustainability Report Update, 2019)

Exhibit E

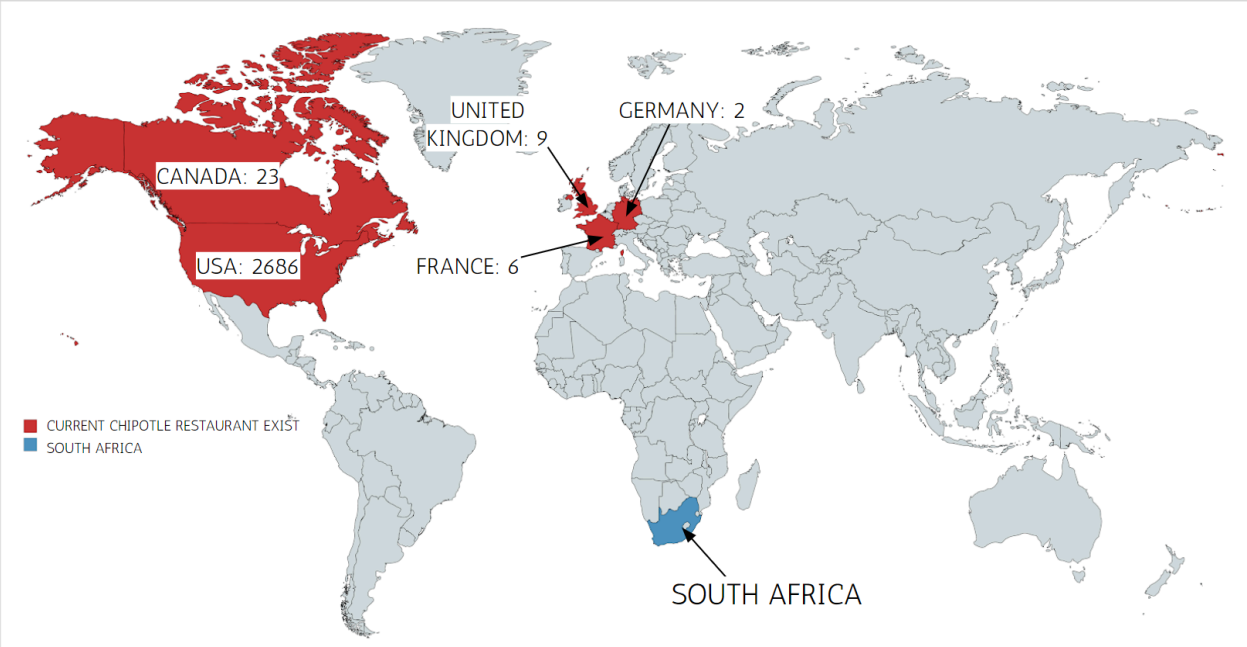


Exhibit F

2019 / in $	Total Revenues	Net Income	Total Assets	ROA	ROS	ROE
Chipotle	5,586,369,000	350,158,000	5,104,604,000	0.069	0.079	0.208
Nando's	779,400,000	74,300,000	596,900	0.124	0.123	0.405
Mochachos	912,060	X	X	X	X	X
KFC	28,459,170,000	2,108,090,000	23,870,630,000	0.088	0.104	0.131

Exhibit G

Restaurant	Meal	Price
KFC	Chicken Twister	45 R → $2.93
Nando's	Chicken Wraps	55 R-65 R → $3.58-$4.23
Mochachos	Chicken Burrito	50 R → $3.25

Exhibit H [2]

Materials Cost

Average Order Ingredients:	Portion	Minimum Order Quantity (Via Alibaba)	Price (US$)	Supplier Location	Cost Per Bowl (US$)
White Rice	4 oz	5 metric tons	$150	United Kingdom	$0.01
Black Beans	4 oz	22 metric tons	$900	Madagascar	$0.01
Chicken	4 oz	1,000 kg	$1,500	South Africa	$0.17
Mild Salsa	3.5 oz	1,300 kg	$585	South Africa	$0.05
Sour Cream	2 oz	10 kg	$25	South Africa	$0.28
Cheese	1 oz	10 metric tons	$473	South Africa	$0.01
Lettuce	1 oz	20 metric tons	$450	South Africa	$0.01
Wheat Flour (Tortilla)	3.5 oz	5 metric tons	$325	South Africa	$0.01
Avocado (Guacamole)	4 oz	1,000 kg	$2,100	South Africa	$0.23

Materials Cost:	$0.78
VAT:	15%
Total Materials Cost:	$0.90

Labor Costs

Employee Wage (US$)	Employees Working at Once	Hours Per Day	Total Salary Cost (US$)	Average Amount of Burritos Sold (Yearly)	Labor Cost Per Burrito/Bowl (US$)
$3.63	8	11	$116,596	281,450	$0.41

Total Cost of Burrito/Bowl	$1.30

[2] **Disclaimer:** This is a rough cost estimation and does not account for shipping costs, overhead costs, or any transaction costs. We could not find information for every single cost.
Methods: Used costs from appropriate suppliers on Alibaba and then calculated cost of a single portion as a fraction of total order cost. All order quantities were the lowest we could find. All data for this section will be cited in the "References" section.

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