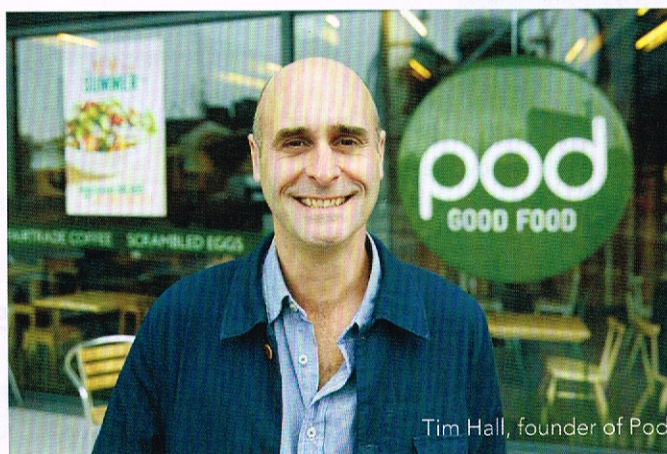




John Porter talks to Tim Hall, the man who put porridge back on the breakfast menu, about the 'healthy fast food' movement and the new tie-up with Starbucks



Tim Hall, founder of Pod

There are few things more rewarding in business than being proved right. As the "healthy fast food" business Pod approaches its 10th anniversary, founder Tim Hall is surveying a menu that offers customers the choice of having their gluten-free, slow-cooked porridge made with milk or water, and topped with spiced apricot compote, pumpkin seeds, blackberry puree, honey, banana or sultanas.

When the Pod business initially set up shop, recalls Hall, the idea of offering porridge at all was regarded as eccentric. "One of the things I feel Pod has done very well over the past ten years is to disrupt a number of day-part habits in London," he says. "Ten years ago, breakfast was a cup of coffee and either a croissant or a cold bacon-and-egg baguette from Pret A Manger or Eat. It was a very unimaginative offer, I think I can say, without being too discourteous."

Pod now operates 23 standalone outlets in London, as well as three newly launched trials in Starbucks stores offering branded Pod food. The "healthy fast food" descriptor is one that Pod coined itself, "only because we tried to find a generic title for all the brands operating in the space." Hall believes Pod, along with brands such as Leon, Tossed and Chop'd, has driven significant change in the foodservice sector. "You see the influence everywhere. I was on a budget airline flight this summer, and the stewardess asked if I'd like some porridge," he says. "Ten years ago, we were getting national press coverage about this mad company in London that was selling porridge for breakfast."

Hall cites two key drivers as the inspiration for Pod, the first of which was personal: "I had a minor heart-related health issue in 2005. It's now totally cured, is wasn't a long-term issue, but I was being told by my doctor to live and eat more healthily." At the time, London's established sandwich operators set great store by the freshness of the ingredients they used, but they were also "full of butter, mayonnaise and salt. They were really bad for you."

Hall's own wish to improve his diet also reflected a wider consumer trend, he believes. "My interest was triggered by my health problems, but also, all around me there were people who

were more interested in health, fitness and nutrition."

Although he had a business background, Hall was new to foodservice, and drafted in expertise in the form of Kate Skerritt, who arrived from Pret A Manger and is now Pod's business development director. The start-up was able to secure initial funding and locate an initial unit at London Wall in the City, although the concept was not without its teething troubles. With the initial juice bar vibe proving tougher than anticipated to transplant from the California sunshine to the colder climate of Britain, by the time the second Pod opened, the focus had shifted to hot takeaway food.

Today, as well as porridge, the choice of breakfast for Pod customers includes three choices of scrambled eggs, one a version made with cheese, spinach, tomato, chilli and toasted seeds and billed as "superfood" scrambled eggs, a term Pod was one of the first foodservice operators to employ. Toasted bagels and bread, smoothies and even a free-range sausage sandwich are also on the breakfast menu.

At lunchtime, the offer switches to the brand's signature "Hot Pods", with varieties on the autumn menu including British beef chilli, Goan lamb stew, Malaysian lemongrass chicken, and Thai curries. Two varieties, smoked Moroccan chicken and superfood chicken are listed as "Energy Pods" and include the option to add guarana for an extra 50p. Fresh salads and baguettes are available all day, as are hot drinks and more conventional snacks.

At the heart of menu development, as with all aspects of Pod including design, operations and customer service, is the brand's innovation team. As well as Hall and Skerritt, members include the director of food, Emma Blackmore, the marketing director, Meg Ellis, and the operations director, Jovan Perovic. "I came in not knowing what the rules of this industry were," Hall says, "so to an extent we've made it up as we've gone along, although using an incredibly experienced and innovative team."

There is a menu development pyramid which Hall summarises as "delicious, delicious, delicious, and healthy". He explains: "You just can't serve food that is really good for you, if it doesn't taste



Tim Hall, founder

FAVOURITE FOOD FROM THE POD MENU: "Funnily enough, I've gone back. We've just launched gluten-free porridge, and I'm having it every day. I'm also a big fan currently of our Thai green chicken curry, as well as the slow-burner salad."

FILM: "My favourite film is *The Matrix*, I know it's obvious and a bit embarrassing but I've always liked sci-fi."

BOOK: "Pour Your Heart Into It by Howard Schultz, which provided me with a roadmap for Pod."

great. We always think about health as the final element, after whether a product tastes fantastic, which is harder than it sounds.

"We're certainly not ashamed to sell crisps and chocolate, but we don't sell that many. We sell far more healthy yogurts and nutritious health bars. But we can offer that choice within a brand that has health, nutrition and taste at its core."

Given the reality that great-tasting food is merely the price of entry to London's highly competitive takeaway food market, in marketing terms the health message has become more confident over the ten years of Pod's development. "Where health used to be a secondary communication, it's now absolutely at the forefront of our communication style, and that is a sociological change that has happened over the past ten years," Hall says.

However much the industry truism that eating out is an indulgence rather than health-driven pastime holds true in the evening, it is a different proposition in the breakfast and lunch market. "People want healthier choices in their day-to-day lives. When we started there was a much higher percentage of personal trainers, athletes and very fitness-focused people coming to Pod."

While that core customer base still uses Pod, they have been joined by a far broader demographic who are looking for healthier choices at certain times of day, or on certain occasions. "For example, we sell loads of superfood scrambled egg breakfasts on Thursday and Friday morning, because people went out for a drink the night before," Hall says.

The customer mix has also changed as Pod has expanded, with growth taking place along a relatively narrow line drawn across Central London from the City to the West End. "As you get further into the West End, and currently our site furthest west is just off Tottenham Court Road, the more flexible the market becomes," Hall says.

While a City site will be relatively quiet between the breakfast rush and lunchtime, in the West End, "working patterns appear to be more flexible. We attract a lot of business people, shoppers who want to try something new or have heard about the brand, and plenty of tourists and students," he says. "In the beginning, Pod was specialist because the sector was specialist. Now it's every man and his dog, because everybody wants to eat this kind of food."

Not all conversions to the healthy food approach are genuine, however. "On one of our regular competitor tours, we visited an operator that sold very unhealthy food. Nothing had changed on the menu, but they'd written the words 'Healthy Eating' on the wall in huge letters. There's definitely a smoke and mirrors effect with some operators. However, consumers are very savvy, they'll work out that you're being disingenuous with your claims, and you'll lose their business."

Other changes are more genuine. "Itsu is an example of a brand we'd call a reformat. When we started, Itsu was a sushi conveyor belt business. Now it's a healthy fast food business. We think it's great, the more operators there are in our space, the

more pressure it puts on the traditional incumbent operators."

Funding for Pod's growth has mainly come through a network of small investors, characterised by Hall as "anything from £25,000 to £200,000", with a larger private equity investment from JGR Capital, in 2011. "As a more mature business than some of our competitors, we're better able to compete, we can pay higher rents, and we can be bolder with our decisions, because we know how the financials stack up," Hall says.

"We don't have a bottomless pit of money, so we can't go for the half a million quid site on Oxford Street, but we can be quite bold in our decision-making. We've benefited from first-mover advantage, getting those 10 or 15 foundation sites in place before the market was swamped with competition."

Even so, he points to other factors making expansion more challenging: "We were able to pick up at least ten of our sites in a market where there was very little competition, and saturation by incumbent operators such as Pret, Eat and Tesco Metro who weren't looking for more sites. There'd be a couple of bidders for a site. Now, the landlord will be asking double the rent and there'll be 15 operators with venture capital money behind them fighting for the sites. That creates a different dynamic in the marketplace."

All of which, of course, brings the conversation neatly round to the Pod trial in Starbucks, which has only been running for a week when we meet. The three Starbucks stores taking part in the trial, in Harewood Place, off Oxford Circus, in the heart of the West End; in Moorgate, in the middle of the City; and close to King's Cross on Pentonville Road, Islington, are offering co-branded menus with a selected range of breakfast and lunch options from the Pod menu.

Pod staff are initially on hand to oversee preparation of the food, with a view to handing over to Starbucks staff as they become familiar with the Pod offer. With Starbucks looking to raise its food game globally, Hall describes the partnership as "laden with potential, but very much a trial. Both businesses are intrigued at the prospect. We've sort of been flirting with each other for a year, and this is our first date. Starbucks have a really strong vision for the future of their food operation, and they see one possible scenario being collaboration with another brand."

He also makes the point that "currently, the vast majority of customers who go into Starbucks at lunchtime have already had lunch. So should Starbucks have this kind of food available? That's what this trial will elicit."

A roll-out via Starbucks would undoubtedly help Hall to realise what he believes is strong potential for Pod in suburban and provincial locations. In terms of the next wave of standalone sites, the policy is to develop new store managers within the business, and "the key for us is getting our pipeline ready. We've got no doubt anymore that the brand and the style of food we serve is going to work everywhere in the UK. The consumer appetite for this food goes way beyond Central London."

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