Speed to Win
How Fast-Moving Consumer-Goods Companies Use Speed as a Competitive Weapon
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How Fast-Moving Consumer-Goods Companies Use Speed as a Competitive Weapon

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Speed is a key strategic weapon. Increased agility can solidify a competitive position, boost profitability, and reduce risk.

**HOW FAST IS FAST?**
For standard new-product development, a seven-month time-to-market gap separates best-in-class from average players—15 versus 22 months for development. This secures an unmatched competitive advantage.

**THE VALUE OF SPEED**
Longer sales life can add 60 percent to an average product’s first-year sales. Companies that outpace their rivals increase market share, boost their negotiating leverage toward trade, and position themselves as innovators.

**HOW TO GET FASTER**
Organizations aiming for speed-to-market excellence should follow the mantra *standardize, prioritize, mechanize*. The BCG speed-to-market playbook comprises ten levers to support companies’ ability to excel along these dimensions. The goal is to imprint agility onto the corporate culture.
“The primary factor in a successful attack is speed.”
—Lord Louis Mountbatten, First Earl of Mountbatten of Burma and Chief of the Defense Staff (U.K.)
the years, but it more than doubled from 2010 through 2011. As other levers lose their power, speed in innovation and imitation becomes perhaps the leading general source of competitive advantage. To fully realize its benefits, companies have to take speed to a new level.

To support this transformation, BCG has distilled several best practices from its work with more than 30 speed champions. The result is our speed-to-market playbook.

How Fast Is Fast?

Managing for speed can make a big difference. Studies of a cross-section of FMCG companies in a variety of industries showed a significant gap between high and ordinary performers. BCG’s benchmarking database indicated that leading FMCG players developed new products within 15 months. That’s 7 months faster than, or one-third, the median—22 months. Some players needed 30 months or more. The benchmarking shows what a company can accomplish by following the lead of “speed champions.” (See Exhibit 1.)

<table>
<thead>
<tr>
<th>EXHIBIT 1</th>
<th>Leading Players’ New-Product Development Is 30 Percent Faster Than the Average</th>
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<tbody>
<tr>
<td>New-product development</td>
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<tr>
<td>Standard</td>
<td>15</td>
</tr>
<tr>
<td>Accelerated</td>
<td>4</td>
</tr>
<tr>
<td>New format or product renovation</td>
<td></td>
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<tr>
<td>Standard</td>
<td>5</td>
</tr>
<tr>
<td>Accelerated</td>
<td>3</td>
</tr>
<tr>
<td>Promotion (temporary)</td>
<td></td>
</tr>
<tr>
<td>Standard</td>
<td>3</td>
</tr>
<tr>
<td>Accelerated</td>
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Time-to-market:  
- Best in FMCG  
- FMCG average  
- Gap between average and best

Source: BCG survey.  
Note: FMCG = fast-moving consumer goods; n = 34.

Analyzed by sector, beauty product companies were the fastest, and companies in heavily regulated industries such as alcohol and tobacco were among the slowest. The overall fastest consumer-goods companies were in the fashion industry. Zara led the way, designing, producing, and delivering new products within two weeks. The average of fashion companies—around ten months—was still much faster than speed champions in FMCG as a whole.

New products aren’t the only projects that benefit from speed. New formats and product renovations are key instruments in a product manager’s toolbox. Average
performers took 11 months to get these changes to market, while the slowest performers needed 18 months. Speed champions took only 5 months.

Temporary promotions are significant sales drivers in many FMCG sectors. Limited editions and add-ons are effective tools for countering declining customer loyalty or strengthened private-label offerings. Agility in promotions can be particularly useful to counter competitive actions or react to market dynamics. It took the average company four months to get a promotion on the shelf, while the best-in-class performers needed only a single month. Some companies needed as much as a year.

Those numbers represent standard development projects only. Leading players understand that certain products and markets require unusually fast development times. For example, the opportunities are so great that a project is worthy of special attention. Maybe the market is unusually well primed for the product, or a competitor is rumored to be at work on the same angle. Or the product simply shows such promise to be a winner that the company is eager to rush it through.

For these cases, many FMCG players allow accelerated development. Speed champions can get products to market in an average of only four months, one-third the time it takes for most new products. Ordinary performers need six months on average. (See the sidebar “Ultimate Speed.”)

**ULTIMATE SPEED**

Kraft Foods experimented with speed very successfully with the DiGiorno Ultimate product series, which pushed the boundaries of “premium” in the frozen-pizza category. A full-time cross-functional team developed and tested the prototype in only 8 weeks and needed just one more month for some quick consumer experiments on taste and pricing. Weekly cross-business-unit and functional meetings prevented bottlenecks and maximized the learning from each step, enabling developers to complete many of the tasks in parallel. With another month for production, the product hit the shelves in a total of only 16 weeks—record time for completely new product development.

The bet paid off handsomely. The new line of products spurred double-digit growth in DiGiorno sales and profits, enabling the brand to compete directly against home-delivered pizza long before surprised competitors offered a rival version. Retailers gave the brand a good deal more shelf space, benefiting DiGiorno’s other lines too.

Procter & Gamble, for example, successfully fought off private-label attacks in the U.S. diaper segment by focusing stringently on speed. P&G decided to launch continuous waves of technically superior products as often as every six months. The company differentiated with Pampers New Baby, Active Fit, and Easy Up and launched the lower-price Pampers Simply Dry and premium Active Fit with Dry Max. By launching new SKUs so frequently, P&G successfully fended off low-cost imitators.
The Value of Speed

Reducing time to market leads to numerous financial and nonfinancial benefits. Greater agility has the potential to boost a company’s top and bottom lines, and flexible and mobile consumers demand it. The financial benefits are often directly measurable and vastly exceed the up-front costs of introducing speed-to-market approaches to the organization:

- **Longer Sales Life.** Best-in-class companies launch new products seven months faster than the average. This life-cycle extension allows speed champions to add up to 60 percent to their first-year innovation sales. For the ten largest FMCG companies, accelerating global blockbuster innovations alone would boost total revenues by as much as 0.6 percent. (See Exhibit 2.) This translates to more than 10 percent of the average annual growth.

- **Larger Market Share.** A product that gets to market early is less likely to face initial competition. A quick market introduction also gives a product more time to build market share before it declines into a commodity.

- **Lower Development Costs.** Streamlined processes, limited iterations, and reduced slack release financial and operating resources for other value-adding activities.

- **Improved Leverage Toward Trade.** A continuous flow of innovations makes the brand more attractive to retailers, while squeezing rivals. This ensures higher prices, lower distribution fees, and greater shelf space even in a strong private-label environment.

### EXHIBIT 2 | Best-in-Class Time to Market Adds 60 Percent to First-Year Innovation Sales

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<th>FMCG average</th>
<th>Best-in-class FMCG players</th>
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<tr>
<td>22 months</td>
<td>15 months</td>
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...resulting in 60 percent additional innovation sales.¹

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<th>Average annual blockbuster innovation sales (% of total sales)</th>
<th>Average annual blockbuster innovation sales with best-in-class time to market (% of total sales)</th>
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<tr>
<td>1.0%</td>
<td>1.6%</td>
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**Sources:** IRI Pacesetter database; BCG analysis.

**Note:** FMCG = fast-moving consumer goods.

¹Considers average year-one sales of pacesetting product launches at leading FMCG players and additional sales through longer sales life only.
The nonfinancial benefits may be even more important, as increased agility allows companies to satisfy the rising expectations of increasingly mobile customers—and to react quickly to competitive moves. Above all, speed can boost the company image and even increase employee satisfaction. (See the sidebar “Noncompetitive on Speed Is Simply Noncompetitive.”)

- **Increased Agility in Reacting to Trends and Customer Feedback.** Mobile multi-channel consumption in combination with powerful data processing generates vast amounts of real-time data. Consumers actively comment on social media, opening windows of opportunity for companies that manage to react fast.

- **Greater Accuracy in Forecasts.** Because the elapsed time between product design and product release is shorter, executives can be comfortable green-lighting particularly trendy products that would otherwise be denied.

- **A Strong Brand.** Standing out as a market leader—one that private labels and even other brands cannot match—justifies premium pricing. Such a reputation may even attract talent and improve employee retention.

- **Higher Quality and Strength Across the Category.** Focused development and reduced slack lead to improved results. Consumers are more likely to associate the category with quality and innovation. Being first also allows the company to set standards for the category and benefit from positive network effects.

**How to Get Faster: BCG’s Speed-to-Market Playbook**

BCG worked with leading FMCG players to develop the speed-to-market approach. Together, with more than 30 speed champions in different industries, we have distilled several best practices.

The result is a playbook for becoming an agile innovator. We have identified ten levers organized within three key imperatives: **standardize, prioritize, mechanize.** Because product development draws on multiple skills and parts of the organization, the effort calls for a holistic approach. By considering organizational requirements, process alignments, and supporting tools, companies can successfully imprint agility onto their corporate culture.

In a survey analyzing the performance of FMCG companies along the speed-to-market levers, the industry as a whole scores 3.2 on a scale from 1 (best in class) to 6 (very poor). On a topic level, standardization (2.9) and prioritization (3.0) demonstrate average preparation for speed-to-market success. We find the greatest need for action in the mechanization of new-product development (NPD). The score in this category reaches 4.0. (See Exhibit 3.)

Analyzing the survey by industry segment unveils significant differences in the emphasis companies put on speed. Beauty products, a sector in which consumers eagerly follow the newest trends, scores best with an overall score of 1.8. Food and beverages, with a score of 4.0, still shows little speed-to-market emphasis.
Procter & Gamble’s laundry detergents dramatically demonstrate the competitive power of speed. In the 1990s, both P&G and rival Unilever took at least 36 months to go from product initiation to worldwide launch. But in 1999, P&G started to think about speed strategically, cutting the product development process in half to about 18 months.

How did it get so much faster? Stephen David, formerly CIO of P&G, says, “Before you actually have a business process, one of the things that is really important to do is to simplify, standardize, and then mechanize that business process.” So the first thing P&G did was to cut the number of signatures needed. When P&G reduced the 20 to 40 signatures required for a minor packaging change to 6 to 10, the time needed to make the change dropped from at least three months to just a few days.

In addition, P&G installed a gated product-development process with five phases. The process started with a project establishment document showing an initial ROI calculation. This set the first hurdle, showed the true cost of time, and made the teams aware of how delays could reduce the eventual payoff.

Because P&G got so much faster, it soon widened its existing market-share lead. In 2008, Unilever decided to sell its entire U.S. detergent business for $1.5 billion, one-third the estimated equity value of the business ten years earlier. Unilever learned from its experience and two years later introduced Speed Is the Currency, its campaign to raise organizational awareness. It has since significantly improved its development processes and is now competitive on speed to market. (See the exhibit below.)

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**Procter & Gamble Achieved a 10-Percentage-Point Market-Share Advantage over Unilever**

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<th>Year</th>
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<th>Unilever Market Share</th>
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<td>2008</td>
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*Sources:* Expert interviews; press search; Euromonitor; BCG analysis.

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The survey shows that there is still significant potential for most FMCG companies to increase their agility. In particular, most companies lacked an integrated speed-to-market focus. Although individual levers were often in place, the full potential was rarely utilized. (See the sidebar “Holistic Transformation.”)

**Standardize**
Standardization leads to clarity and routine—and, thereby, increased speed. To move beyond an often ad hoc approach to product development, organizations specify the key NPD parameters: a schedule for NPD routines, responsible personnel at each stage, and the steps up to market launch.

**A Clear Definition of NPD Categories and Projects.** Standardization requires specifying what should and what should not be considered a development project, where such a project starts, and where it ends. It is particularly important to have an explicit starting point for the commercialization process. The transition from idea generation to concept development is often a grey zone. The lack of an initiation event leads to inefficiencies in firming up ideas. Clearly defined starting points also enable measurement and comparison of relevant metrics.

Delineating the key process categories allows different treatment for different kinds of projects. The NPD routine is different from that involving packaging changes. These categories can differ in the degree of freedom granted as well. A completely new development faces only basic guidelines, but rollouts...
A Single End-to-End Project Leader. Innovation projects often pass through several departments within a company, moving, for example, from central brand groups, through R&D and production, to regional marketing and distribution. A single responsible project leader with authority over timelines and processes is vital to ensure a smooth process flow in such an environment. Otherwise, idle time at transition points can mutate into major delays.

Avon discovered that only about 40 percent of its development time went to value-adding activities, 30 percent went to rework, and the remaining 30 percent was simply time spent waiting. To speed decisions, the company installed a manager with clear responsibilities in the project. To reduce rework, project teams established up-front information gathering and strict “change windows” after which colleagues had limited ability to push for alterations.

Dedicated project managers also function as the knowledge base for development projects. At adidas, they collect and spread good practices to other project teams after carefully tracking their own projects from start to finish.

A Standardized NPD Process. Developing a defined process—from idea to product launch—with explicit steps for each of the process categories is critical: Ensure a detailed description, including necessary input, specific tasks, and expected output for each process step. Specify exactly who needs to be involved in the decision-making process and at what level. Above all, define a schedule for each activity.

Standardization allows organizations to refine individual development courses and install a global best-practice development process. It also ensures transparency throughout the process. The involved parties know which tasks to carry out and when results are expected. Standardization opens up completely new ways of integrating the supply chain into the development process.
ordering materials and equipment in advance can be important sources of savings. Our experience shows that standardization alone can easily reduce the duration of the process by 20 percent.

P&G’s Successful Initiative Management and Product Launch, or SIMPL, lays out a formalized stage-gate process with defined activities, timing, and decision criteria. Zara enforces its rigid processes strictly and owns many steps of its value chain to ensure better control.

**Clear Stage Gates as Explicit Decision Points.** By carefully selecting the participants for each stage-gate decision, organizations can gain the commitment of all relevant stakeholders in the process. On the basis of standardized input and decision criteria, go, no-go, and revise decisions are made at each gate. The criteria for decisions are focused on strategic fit, project risk, and project financials. Once a gate has been passed, it functions as a point of no return. This rule reduces avoidable iterations—significant sources of delay for many companies.

Projects that do not fulfill the defined gate criteria can and should be stopped at each gate. Particularly high hurdles can filter out second-rate ideas early on. P&G requires a 15 percent projected return on investment (ROI) to qualify for entry to the development process. This “innovation funnel” focuses resources on the most promising ideas, which can then be processed with minimal delays.

One client found that too many resources had been devoted to innovation projects with relatively low ROI expectations. Few projects were discontinued once they entered the development process: the innovation pipeline was more a tunnel than a well-managed funnel. This type of problem arises in cultures that avoid hard decisions and as a result of individual-incentive programs that reward project completion rather than success in the marketplace.

**Prioritize**

Speed-to-market improvement is not about ramping up some projects while others languish in queues. All projects move faster when processes are streamlined. But some projects deserve extra resources to push for an accelerated launch. Because most project teams tend to advocate for the fast track for their projects, policies that set priorities are vital.

**An Institutional Innovation Body.** This overarching institution develops a general innovation strategy and ensures objective mechanisms for allocating resources to projects. It can also provide a platform for fostering and coordinating global product launches. Efficiency in multimarket rollouts—and the consequent standardization of products—is an important attribute of agile FMCG players.

British American Tobacco installed a board-level innovation council that demonstrates senior-level commitment to a disciplined process. Equally strong support from the top at P&G has yielded a highly formalized process and strong push-through.

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Standardization opens up completely new ways of integrating the supply chain into the development process.

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Innovation boards prioritize and accelerate projects on the basis of explicit criteria. A maximum threshold defines the share of prioritized development initiatives. These urgent or especially valuable projects go on a separate fast track, with priority treatment and extra resources.

**An Explicit Accelerated Process for High-Priority Projects.** High-priority projects follow a separate process and are allowed to skip selected activities or to run activities concurrently. Executives commit to fast decision making, and key tasks enjoy priority for resources at bottlenecks. The number of approval gates might be reduced or document submission postponed. Materials might be ordered in advance on the basis of initial forecasts.

When adidas started its acceleration program, it allowed the fast-track projects to reserve as much as 10 percent of production capacity. Along with running some steps concurrently, this fast-track program accomplished most of the reduction in the time-to-market schedule—from 17 months to 4.

Reckitt Benckiser follows this approach as part of its fast-follower strategy. Under the motto “ready-fire-arm,” the company releases its fast-follower products with little more than minimal testing.

**Pragmatic Decision Making.** Mapping informal as well as formal decision rights allows an overview of decision practices. Particularly in large organizations, there is a danger of involving too many people in time-critical decisions. Risk-averse cultures tend to add more signatories than corporate guidelines demand. Waiting for approval is typically among the worst delaying factors in the development process. A strict focus on minimizing involved parties can lead to significant savings. Reducing organization layers and expanding span of control are powerful measures to increase speed and efficiency in decisions. P&G reduced its layers from ten to six, thereby increasing its span from about four to seven. This helped drastically reduce time to decision.

Philip Morris has a “results count” approach for quick decisions. If the best solution isn’t ready, the project team moves quickly to a workaround and keeps going forward.

**Mechanize**

Support tools can be of great benefit to companies aiming for an integrated approach that promotes agility. Defined product attributes, end-to-end IT support, and standardized metrics are only a selection of critical functionalities. Sophisticated internal-search capabilities, knowledge support systems, and automated decision-support tools can further improve a company’s flexibility and speed.

**A Toolbox with Defined Elements That Foster Reuse of Existing Designs.** Most newly developed consumer goods need to undergo extensive regulatory approval before they are eligible for market release—a process that can take several months in some countries. A toolbox of existing designs—or recipes, in the case of the food and beverage industry—saves development time by organizing for accelerated regulatory approval.
The reuse of existing elements also simplifies development and reduces uncertainty about quality and lead-time. For example, adidas has built extensive “toolbox rooms” where designers can explore materials that have already met regulatory requirements.

A client in the food and beverage industry is developing a global flavor database to support innovation in all its major markets. The toolbox will contain all the flavor formulations the company expects to use in new products over the next 36 months. By using these already qualified flavors in its new products, the company expects to reduce by as much as 70 percent the resources and time required for flavor development.

An Integrated IT System with End-to-End NPD Tracking. An integrated IT system is an essential enabler of speed-to-market success, creating transparency of projects and supporting collaboration among functions. It allows a more sophisticated analysis of the metrics around speed, as it serves as the basis for strategic portfolio planning. In BCG’s speed-to-market survey, this lever scored the worst (4.3), indicating significant improvement potential at many FMCG players. Installing an integrated IT system is expensive and time-consuming, but this can be the pivotal element in successfully integrating all other efforts.

It is not surprising that Zara was among the first movers in this area: the company tailor-made IT systems more than 15 years ago. Today, it has a world-class system for interpreting data. Managers of important stores are linked to designers and merchandisers, providing a key to understanding what makes the fast-moving SKUs fast and the slow ones slow. Some of this data exchange is conducted even on Sundays to capture information from sales-peaking Saturdays.

Rigorous Metrics That Ensure Transparency Across Projects. Standardized reporting is common in most organization functions, but our survey shows that only a few companies have overarching metrics for the development process.

Transparency is essential for monitoring improvements, rewarding successes, and identifying bottlenecks that might hinder further optimization. Communication of metrics increases awareness of current performance and highlights improvement potential. For senior executives, standardized reporting of relevant key performance indicators is a requisite for making fast and educated decisions.

The ten speed-to-market improvement levers have proved powerful measures in improving organizational agility. Individual levers have the potential to improve the innovation process, but the standardize-prioritize-mechanize approach aims to be understood as a holistic concept. Like quality, speed results when all parts of the organization work together. Organizing for speed must be a conscious company decision. It implies a cultural change that can succeed only if incentives are adapted and achievements are recognized and rewarded.

A Call to Action
Some FMCG companies, suffering from a private-label onslaught, will want to jump at and embrace the speed-to-market approach. Others will see a way to stand apart
from their branded rivals. In today’s increasingly dynamic environment, successful brand companies have no option but to become more agile right now. (See the sidebar “A Fundamental Advantage.”)

A FUNDAMENTAL ADVANTAGE

PepsiCo was among the first to recognize the rising importance of speed. The company defined speed as a fundamental source of competitive advantage, stating, “We have to move much faster—becoming agile and dynamic—to capture future growth.” To keep pace with its customers, PepsiCo installed a Gatorade “mission control” room, where employees collect real-time data and interact in social-media conversations at all times of the day and week.

Currently, PepsiCo is also rebuilding its Frito-Lay supply chain to reduce field-to-pantry delivery times from 14 days to around 7. To do so requires coordination between retailers and manufacturers that enables the free flow of information. Consequently, John Compton, PepsiCo’s president, aims to elevate the speed-to-market idea to the industry level. In a recent keynote speech titled “Speed: The Future Currency for Growth & Profitability,” he argued that achieving speed—and therewith real benefit for customers, retailers, and manufacturers—requires integration and bold moves along the value chain.

A full 45 percent of households in the U.S. now shop online. Social-media chatter related to purchasing decisions doubled in 2011 over the previous year. Online retailers are proving that relationships can be fostered even without face-to-face presence. Long-term loyalty, however, can be lost with a Twitter post.

To persist in this atmosphere of change, brand players have to be able to act and react fast. Reducing time to market will help them build and maintain stronger relations with their customer base. Speed champions have shown us that time can be a powerful source of competitive advantage that strengthens the top and bottom lines. But becoming an agile organization does involve significant behavioral change and requires a foundation of active leadership from the top. The culture must evolve toward the mentality that time is a major cost. (See the sidebar “Checklist for Becoming a Speed Champion.”)

NOTE
Just about every FMCG company can benefit from high-performance processes and an organization that delivers new products faster to the consumer. Companies that are ready to accept the challenge should ask themselves the following questions to get started:

- Does our company come close to achieving best-in-class time to market: 4 months for accelerated NPD, 15 months for standard NPD, 2 months for prioritized new formats, and 1 month for promotions?
- Does our company define and categorize each project and its explicit starting point?
- Do we appoint end-to-end project leaders with authority over timelines and processes?
- Have we designed a standardized NPD process based on best practices? Have we installed an explicit accelerated process with a simplified fast-track process flow for high-priority projects?
- Do we execute stage gates for go, no-go, and revise decisions and as points of no return? Do we set high hurdles early in the process to filter projects and to deploy our resources most effectively?
- Is our innovation body supported by top management, prioritizing and accelerating projects on the basis of explicit criteria?
- Is efficient decision making by minimizing the number of involved parties part of our corporate culture?
- Do we have tools in place that make us faster? Do we have, for example, a toolbox with approved product attributes, a library of designs, sophisticated search and knowledge capabilities, and an integrated IT system?
- Are overarching speed-to-market metrics part of our standardized management reporting?
- Overall, do we have an agile corporate culture that recognizes the value of speed?
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For Further Contact
If you would like to discuss this Focus report, please contact one of the authors.

For Further Reading
The Boston Consulting Group has produced a number of publications on the FMCG industry and speed in product development, including the following:

Innovation 2010: A Return to Prominence—and the Emergence of a New World Order
A report by The Boston Consulting Group, April 2010

Innovation 2009: Making Hard Decisions in the Downturn
A report by The Boston Consulting Group, April 2009

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