tion or cases where the introduction of new products has significantly affected the profits or the revenues of competing firms, I have to defer to Mr. Conrad, because this would be done at Arthur D. Little's. I am just a consultant there. I do not frame the projects, nor do I execute them myself. Perhaps he would like to answer that now.

Mr. CONRAD. One point. We, in constructing this analysis that Professor Markham is presenting now, had the belief that the drug industry is subjected to the risk whether or not one can list over the last 15 years, 20 or 30 or three or four instances where this type of risk took place. The fact that logically, it can take place, that the industry is set up, the medical profession is set up in such a way that it is prepared to replace a product virtually overnight if it finds a superior agent to treat a particular illness, the fact that this characteristic exists in the pharmaceutical industry we see as an element of its special riskiness. There are other industries that have product obsolescence, but they do not have it with the peculiar character of product obsolescence that the drug industry has.

Now, we can cite examples. We have talked to some of the companies in starting this study and we will be able to cite some examples where product obsolescence has hit the company and had some impact on its earnings. A list of 30 or 40 may not be possible. We do not know yet just how many companies can respond.

But the point is that, regardless of how many, the risk from the economist's point of view is there and it is real and the companies are also facing it.

Senator NELSON. I suppose there is risk there, but it would seem to me that if it is a risk that is special to this industry, you ought to produce evidence of its frequency and then also show the impact upon the particular company within the industry in each case. If it is a temporary impact, that is one thing. If it is a permanent impact, that is another thing. But the fact is that the leading manufacturers in this industry have been the leading ones for a long, long time. They have identification in the marketplace, they have identification with the physician. They are producing more than one product. They are all doing research and so they may have one product knocked out by another firm. It would seem to me that you would have to show some impact upon a number of companies as a consequence of this type of situation; otherwise you could not conclude that it is a very serious factor in risk, it would seem to me.

Dr. MARKHAM. May I just cite one example, Senator Nelson, to illustrate at least the point I am trying to make?

I did use diuretics as an example. If you were to take a look at the market share of product No. 1 on the chart on page 42 in this document that was just handed you, Table 11–A, Diuretics, if you take a look at 1957 it had 53.5 percent of the market. In 1958, 1 year later, it had dropped to 17 percent and by the next year, had dropped to 7.8.

Go to the bottom of the numbers in that table. Product No. 5 in 1957 was eight-tenths of 1 percent of the market. By 1958, it had 72.1 percent of the market.

I only submit that in spite of the fact that other industries encounter product competition, this is an unusual shift in market share in that product line. I would find it very difficult, and I know something