The data reported here includes quality control in production. For a responsible firm, however, quality control goes well beyond this to establish an excellence in quality of operation which has been called "company total-value product". 1/ This represents activities designed to assure quality of product and service which surpasses normal standards.

Direct and Indirect Quality Control: "Direct quality control" employment and cost data deal with full-time staff members of reporting companies' quality control departments. But since almost all production employees have some quality control functions incidental to their primary assignments, estimates were solicited from member firms on "indirect quality control" employment and costs. Employment data on such individuals is stated in terms of full-time equivalents, prorated by respondents on the basis of hours devoted to quality control functions as a share of total labor time.

Company Allocations: Table 8 shows that quality control costs during 1965 amounted to at least $73.8 million. Primary quality control accounted for three-fourths of the total cost incurred by all firms. Companies with yearly sales exceeding $100 million were responsible for approximately two-thirds of all quality control costs and employed a higher proportion of quality control workers -- a ratio larger than their share of the market (see Chart 7).

Average Quality Control Costs: As Table 9 demonstrates, average quality control spending per company was $1.2 million in 1965. However, quality control costs were much higher for the leading firms. On the average, responding firms allocated 2.4 percent of their 1965 domestic sales revenue to quality control. However, quality control cost-to-sales ratios ranged up to 7.5 percent.

1/ Responsible pharmaceutical concerns commit themselves to expenditures and accomplishments in creative research, reliable production and marketing, and high standards of management. These organizations are motivated to provide excellence in total quality of product and service. Such total control of quality of product and service is of significant value to dispensers and consumers of prescription medicines, exceeding by far the value of the product's ingredients.