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| |  | | --- | | The following appeared in a newsletter offering advice to investors:  “Techcorporation is our top pick for investment this term. We urge all of our clients to invest in this new company. For the first time in ten years, a company that has developed satellite technology has been approved by the FTA to compete with the current satellite provider. That company is Techcorporation. A consumer survey last year indicated that over eighty percent of respondents were dissatisfied with the current satellite television provider and would want to switch to another provider if the industry were not a monopoly. Thus, the new venture of Techcorporation into satellite television will prove to be highly profitable for those who invest now.”  Write a response in which you discuss what questions would need to be answered in order to decide whether the advice and the argument on which it is based are reasonable. Be sure to explain how the answers to these questions would help to evaluate the advice. | |

The argument reaches the conclusion that the new venture of Techcorporation into satellite television would prove to be highly profitable for current investors, based on the results of a consumer survey from the previous year, and approval from the FTA. In reaching this conclusion, however, the author of the argument fails to answer three important questions, the answers to which could dramatically affect the veracity of the argument's logic.

First, is the consumer survey from the previous year still representative of today's consumers? It may be possible that the market has changed greatly, and that the current dissatisfaction levels that consumers have with the existing satellite television provider has greatly lowered. If the existing satellite television provider made several changes in their operations after the complaints of last year, then it is possible that less than 50% of current consumers are still dissatisfied. To assume that a survey from one year ago is still representative of today's public would need further evidence and reasoning; the author has not cited any evidence to show that the results of the study have not drifted significantly since its conduction. If the answer to the above question is found to be 'no,' then it would significantly affect the argument made, making it less convincing to investors.

Second, is it reasonable to assume that respondents who said they would switch to a different provider would actually do so, in the event that Techcorporation begins its operations? It is possible that the survey respondents were not properly sampled, and that inadequate information was recorded. What if, for instance, the consumers would be unwilling to switch to a different provider unless low-cost options are provided? In this case, Techcorporation would have to demonstrate to potential investors that the costs associated with its operations would be low enough to pull away consumers from the existing monopoly. It takes time and effort to change infrastructure associated with satellite television, with its cables and dishes. The current form of the argument does not indicate that these have been accounted for, when presenting itself as an alternative. Hence, a negative answer to this question would adversely affect the prospects of investments into the company.

Finally, does FTA approval really signify that Techcorporation has great potential in the market? It may be possible that the FTA approves companies without a lot of investigation into their working, and that many non-satellite-based companies that have been approved were unsuccessful at getting rid of monopolies in those areas. It is also likely that satellite providers do not make significant profits, and hence may have opted to shift to wired options. A related question would be: Does Techcorporation have substantial evidence to prove that their business would be profitable enough for investors? It is likely that, as a result of infrastructure issues that may arise when installing Techcorporation satellites, the costs may be too high for customers to make the switch. This would be quite unfavourable for investors, and hence, the author should firmly establish the answer to this question.

In conclusion, the argument, as it stands now, considerably fails in its ability to address the aforementioned questions. There are a lot of possibilities that the author has failed to rule out, that could greatly harm investors who do not consider the unstated assumptions and other features of the argument. If the author is able to reframe their argument with substantiative evidence to answer all these questions, only then can it be persuasive enough to gain investors.