

**MANHATTAN GMAT**

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CAT Exam #5

Mohit Joshi

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AWA ESSAYS: Analyze Argument

ESSAY QUESTION:

The following memo was circulated by the management team of a retail company:

"We are very pleased to announce that the relocation of our inventory, which had been located in four different warehouses throughout the country, to a single new warehouse near Company headquarters in Boston. This consolidated location will cut the company's expenses for warehouse rent in half. As a result we expect our monthly profitability to go up by this amount."

Discuss how well reasoned you find this argument. Point out flaws in the argument's logic and analyze the argument's underlying assumptions. In addition, evaluate how supporting evidence is used and what evidence might counter the argument's conclusion. You may also discuss what additional evidence could be used to strengthen the argument or what changes would make the argument more logically sound.

YOUR RESPONSE:

The argument here discusses a memo circulated by the management of a retail company. The retail company plans to relocate all of its inventory from four warehouses to a single warehouse, which is near the company headquarters. The management believes that this will cut their expenses by half. Therefore, the argument concludes that monthly profitability will go up by that amount. The argument is poorly reasoned because it makes several assumptions and does not provide proper reason for those. It takes a leap of faith to make conclusion that is not well supported by the facts that it presents.

Firstly, the decision to relocate is based on assumption that new warehouse will be more efficient. However there is no information provide to support this. It is possible that old warehouses were more efficient, maybe because of better trained staff or because the warehouses were situated near to the retail stores, thereby saving transportation costs. There is no evidence that has been provided to support the fact that the new warehouse will be similarly efficient in its operations.

Secondly, the argument does not discuss the new expenses that will be introduced as a result of shift to a consolidated location. For instance, it may be now costly to transport the material from various throughout the country from a single location. The fuel cost be high enough to offset any gain that may be achieved by operating from a single location. Also, it is possible that the original staff may not be interested in moving to

new location. This may lead them to leave the company. Therefore, the company will have to hire new staff for new location and this will mean additional cost of training them.

Thirdly, other factors such as closeness to company headquarters may not be necessarily beneficial. Nearness to headquarters may mean that increased politics in operation of warehouses which may demotivate employees and derive down their efficiency. Also, there is no sufficient reason provided as to why any other location has not been considered for consolidated operation. For instance, it may be the case that property rates near company headquarters are quite high.

Finally, the argument does not provide proper reasoning about why it believes that profitability will go up by same amount as savings from consolidated operations. Apart from other factors discussed before which may increase expenses, profitability may decrease due to outside factors unrelated to operations such as economic crises.

To conclude, the argument makes several assumptions which it does not justify. Perhaps if more information was provided as to why there will be no additional expenses introduced, why profitability will increase by same amount as saving from consolidated operation and why close location to headquarters will be particularly helpful, then maybe the argument would have been more reasonable. However, due to lack of these answers, the argument is subject to criticism.

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