2.2 Calculate the seasonal factors (SI) and then the seasonal indices (S) based on the 1985 Q1-2006 Q4 data. Are they consistent with your expectations? Explain in detail.

After calculating the seasonal factors, a seasonal index analysis can be performed and generates the following output. As seen in the data, quarters 1 (Jan, Feb, Mar) and 2 (April, May June) are below 1, indicating the sales values in these quarters are significantly lower on a seasonal basis. Quarters 3 (July, Aug, Sep) and 4 (Oct, Nov, Dec) is above 1.0, indicating sales values are significantly higher on a seasonal basis.

These seasonal indices are expected because Gap operates in the consumer retail sector, which is cyclical. Much more shopping activity occurs in the latter half of the year as opposed to the former. From personal experience working for a company such as Vans, holiday promotions and back to school shopping drives the KPIs for these businesses in the latter half. The beginning of the year is always slow, especially with holiday returns, which can hurt the sales figures for beginning quarters due to loss in sales.