Columbia Sportswear Company

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Contents

I. Executive Summary

The following is an analysis and evaluation of Columbia Sportswear Company. This comprehensive strategic audit contains recommendations to improve the company's prospective profitability and financial stability. The methods used for analysis contain models and analytical methods including: SWOT, Porter's Five Forces of Competition, debt and current ratios and Value Chain Analysis. All calculations and graphs can be found in the appendices. The forward thinking statements and recommendations created by the authors are opinions and suggestions only. We recognize there is no guarantee that if followed, the recommendations will see the same results as projected in this report.

The current position of Columbia Sportswear is steady but stagnant. Columbia has an established distinct brand name in the outdoor sportswear industry. They have been able to produce new sportswear technologies and meet the current demands of the changing market. Their market share has declined over recent years due to competition as well as the effects of seasonality on an outdoor sportswear company. The analysis of the SWOT Model revealed Columbia is weakened due to their focus on retaining key employees in the Boyle family who started the company, as Board Director, CEO and upper management positions. Through the use of return on equity and EBIT ratios they portrayed that Columbia is underperforming and needs to improve their financial stability. As found from Value Chain Analysis, Columbia has the lowest revenue percentage of all their competitors, therefore we highly suggest Columbia pursue a joint venture with Lululemon. Through these suggestions, Columbia can increase its market share, have a higher share price and will become more profitable. We believe that if these recommendations are followed and implemented correctly, Columbia Sportswear will not only survive in the volatile market but thrive in the industry.

Sincerely,
UNR Consultant Group

II. Columbia's Past and Current Strategies

Past Strategies

Over the past 5 years, Columbia Sportswear was focused on strengthening the Columbia, Mountain Hardwear and Montrail brands as leading innovators in the outdoor industry. Columbia also elevated the SOREL brand, targeting female consumers with the brand's ever-growing popularity and appeal; however this did not translate to an increase in sales. Aside from their numerous innovations, they have also successfully implemented updates to existing products as well, using technological advanced to progress style, fit, and construction. These strategies helped Columbia create a competitive advantage in the battle to offer products that keep consumers warm, dry, cool and protected in the outdoors.

We believe there remains significant opportunity for growth, despite the unseasonable weather that temporarily decreased demand for cold weather apparel. We suggest that Columbia continue to expand the existing innovation platforms the company has focused on previously. We also recommend that due to the issues with cold weather, Columbia shift some of their focus from their winter weather products to warm weather. **See Appendix A**

Current Mission and Vision Statement

Columbia has a standard mission statement, that does include key factors of the company, but it can use some work. The current mission statement is a bit too wordy and although it does include key components of the company it could be done in a more efficient manner. For example, the mission statement uses "outdoors" and "outfits". The repetition of this word is obvious because it is such a small statement. The full current mission statement can be found in Appendix A.

Columbia does not currently have a distinctive vision statement. The recommendation is to restructure all future plans for the company into a clear and concise vision statement that can be used to gauge the company's progress and to see if they have met all goals they have set.

We also recommend that Columbia strategically develop a list of core values that the company is founded on; these values would be innovation, quality and performance. These are core values that are apparent throughout the entire company and represent the mission and vision of the company well. **See Appendix A**

New Mission and Vision Statement

The new mission that we recommend Columbia implement appeals to the outdoor enthusiast cliental of customers that buy their products. It includes the innovative company culture that Columbia is founded on. It also does not include an unnecessary breakdown of their product lines that came across too wordy in the current mission.

The new vision lists actions that Columbia will take in order to further the company in the direction they want. This new and developed vision will serve as a guide for company decision making in the coming years. We believe that this new mission encompasses all that Columbia stands for and represents the company in a far superior way. A full current mission, vision, and core values can be found in Appendix A. **See Appendix A**

III. SWOT and Environmental Analysis

Columbia SWOT Analysis

One of the greatest strengths that Columbia has in the outdoor industry is their line of Omni-Tech clothing. Columbia's strengths also include seventy plus years of experience, along with the original founding family still running the business, but having this dependency on key personnel is still a critical weakness. The outdoor industry always looks for innovative products and companies that are willing to help protect the land that makes their business possible and Columbia is very focused on these opportunities. In recent years, the seasonal weather patterns have started to change which signals a threat to Columbia. **See Appendix B.**

Columbia SWOT Matrix

There are many different strategies that Columbia can pursue with all of the factors that are a part of its SWOT Analysis. The strategies that focus on strengths and opportunities include creating new products along with staying about the competition through new innovating technology. In order to take advantage of their weaknesses and opportunities, Columbia should boost advertising while focusing on improving workers. Retailers are constantly trying to stay afloat after the recession and Columbia will need to provide better support in order to be successful. Columbia should also focus on strengthening their supply chain because there are weaknesses incoming raw materials. **See Appendix B.**

Cabela's SWOT Matrix

As a company that has been around for about 50 years and originally started as a catalog, Cabela’s has a very strong tie to customers that like to shop at home. This is a very big strength of theirs, especially since Cabela’s started making television that caters to their industry. They also work with a lot of partners that focus on advertising, sponsorships, and conservation which are all big factors in the outdoor gear industry. In order to keep their profitability high, Cabela’s needs to strengthen their supply chain while keeping their key management in place. The competition with the outdoor industry is very high and Cabela’s needs to stay ahead of its competitors in order to remain an industry leader. **See Appendix B.**

Patagonia SWOT Matrix

Patagonia is a very small, private company that faces bigger problems with keeping profits up compared to the bigger public companies. They heavily focus on promoting non-motorized sports in order to help preserve the environment that their customers enjoy. A big part of Patagonia's image can be attributed to the field reports that they post on their website which gives consumers a rating on how their products actually work in the field. As stated above, Patagonia is focused on environmental conservation and they have achieved 100% use of organic cotton in their products, but this also raises costs so they must constantly work on a balancing act of price and quality. **See Appendix B.**

Lululemon SWOT Matrix

Lululemon has the strengths of a vertical retail strategy and they are constantly innovating when it comes to the styling and quality of their products. Due to their vertical retail strategy, Lululemon has control over the quality of materials used and the quality of the product they produce for their customers. Lululemon struggles with a weak economy and a small market. Lululemon should take advantage of their vertical retail strategy and begin expanding into new markets outside of sportswear. They might also find it favorable to create a customer referral program that would provide discounts to existing customers who refer new customers to them. They should also begin focusing on a new demographic to expand their market. **See Appendix B.**

Under Armour SWOT Matrix

Under Armour has the strengths of a really strong brand and many athletic endorsements. These athletic endorsements help shed more light on their brand and also helps strengthen the brand since athletes are using the product. Under Armour struggles with a weak economy and they have strong competition from other athletic companies such as Nike. Under Armour should take advantage of the fact that they have many athletic endorsements and expand into more sports. Currently they only have athletic endorsements in select sports but they could expand into more sports with more athletic endorsements. They can also use their brand strength to branch out of sports and begin producing other types of clothing. They should also begin offering online discounts for their product to both combat the fact that they have really high prices and that their online presence is not very high. **See Appendix B.**

Marmot SWOT Matrix

Marmot is a private company that produces really high quality sportswear. Their main focus is on climbing and winter clothing. Marmot's strengths include high quality products and strong customer loyalty. They however struggle to economic recession and that there are cheaper and stronger brands available. Marmot should begin expanding into other sportswear using their customer loyalty and high quality product as backing. They should also offer online discounts for their clothing to combat the current state of the economy. **See Appendix B**

Macroeconomic Factors

Columbia faces many challenges with macro-economic factors including the economy, new technology, and societal values. Changes happen every year in the United States economy as well as global economies and this has a very big effect on business. These challenges will be overwhelming, but the health of the company relies on overcoming them.

One of the biggest problems that any business relies on is the health of the economy at any time. When the recession hit in the late 2000's, many businesses were hit and Columbia was not immune. In recent years, the economy has been slowly recovering and consumer confidence has been on the rise which signals good news for business and this will allow Columbia to set itself apart.

In the outdoor industry, there is a high amount of competition to create the best product possible through the newest technology. Columbia has a very good foothold with innovative products with their ownership of the Omni Tech line that is designed for use in very specific environments. In order to keep a good portion of the market share, Columbia will need to put money into developing better and new products that will take customers away from competition. Although Columbia needs to focus on making products for all ages, they also need to be focused on the fact that many more people are focusing on living an active lifestyle. This societal value on an active lifestyle tells the company that they need to make more products that are targeted in this way instead of very specific areas.

These macro-economic factors are very challenging hurdles that Columbia must overcome in order to keep their market share and competitiveness. By improving strengths and opportunities while fixing or taking advantage of weaknesses and threats, Columbia can grow their market share and remain a profitable company. These areas are crucial for success in the outdoor industry.

IV. Columbia's Organizational Structure

Current Organizational Structure

Columbia Sportswear's structure is composed of a Board of Directors and a Chief Executive Officer that oversee the company's operations. Corporate Presidents of Finance and Operations make up the upper management with many Vice Presidents alongside. The organization is almost perfectly horizontal under the CEO with numerous Vice Presidents. With this flat structure we suggest changing the layout of command and restructure to shift roles with improved job allocation and management. Due to a lack of middle management and department cohesiveness there needs to be reorganization (as seen in Appendix A Pre and Post Recommendation). **See Appendix C**

Reorganization

Currently, the organizational structure is preventing Columbia from being fully effective. By having a horizontal management structure there is less productivity in the numerous departments that each Vice President is in charge of. We suggest combining departments so teams can work together and be more productive. The creation of several Chief Officer positions through promoting within make it possible to more effectively manage a team. Chief Officers can delegate tasks to department that report underneath them and can monitor their progress and intervene when necessary. The proposed new positions are Chief Marketing Officer, Chief Sales Officer, Information Officer, Human Resources Officer and Chief Technology Officer. With the creation of Chief Marketing Officer, we support the promotion of C. Mitchell Fields. His experience in sales and marketing with Calloway Golf and Nike could be profitable to the company. The sales department of Columbia Sportswear needs a proven track record that can help the company beyond its current numbers and Kerry Barnes is the best candidate for the job due to his excellent management of Adidas and Footlocker retail stores on the West Coast. Human Resources Chief Officer Susan Popp would add to the company's public image through her prior work experience with Nike, Blue Shield of Oregon and Avia. The idea that the company can run more efficiently through better management leaves more time and resources to devote to more profitable departments and market research. **See Appendix C**

V. Columbia's Unique Position

Value Chain Analysis

While Columbia excels in most aspects of their value chain, there are still a few areas that can be improved. Their inbound logistics lacks certainty as they have operations in multiple countries which are subject to harsh weather, exchange rates, and more recently, natural disasters. With recent catastrophes such as overseas tsunamis etc., the procurement of raw materials has been subject to fluctuation and continues to be one of their weakest areas. With our acquisition of Never Summer, we believe that Columbia can copy their model for inbound logistics and we can better manage and procure these raw materials. Never Summer's and most of Lululemon's operations are based in North America, and our joint venture with them will allow for a more consistent and dependable source of supply. The other area that Columbia can improve is operations. Since their EBIT/Revenue percentage is lowest of all competitors, a joint venture with Lululemon, who has the highest rating in this category, will clearly shore up this weakness. The acquisition of Never Summer will also help with this weakness as they have the highest rated snowboards of all brands, and they excel in turning the inputs from their raw materials into an exceptional final product. **See Appendix D**

Key Success Factors

- Quality at a reasonable price: Columbia is currently the highest ranked fishing, hunting, and skiwear brand in the world despite not having the cheapest prices.
- Attention to details: innovative product design such as pockets that double as vents, double storm flaps over zippers, and "gutters" that facilitate water runoff. It is their attention to detail, among other factors, that sets them apart from the competition

- LIFETIME WARRANTIES: Columbia's lifetime warranties are vast and unique to any other company in the industry. This makes purchasing of their products invaluable when compared to the competition.
- Incredibly innovative: Some products such as jackets have multiple layers, and one jacket can become 3-4 different types of jackets. Good for all seasons and all types of weather.
- Quality control: monitored and coordinated overseas by Columbia employees. Unlike many apparel companies, Columbia houses quality control and manufacturing coordination specialists in the country that manufactures their products.
- Expertise in cold and heat fabrics: allows for Columbia to be needed all season long as opposed to some competitors who only see business in the winter OR summer.
- Wide array and diversity of models and products: Jackets to shoes and everything in between.

Columbia's innate ability to set themselves apart, even in the simplest areas of production such as jackets and socks, provides them with an advantage over any company in the world. Their unique company culture and strong leadership from long-time chairman Gert Boyle provides them with the tools needed to consistently reinvent the wheel time and time again. The latter list of KSF's were not just an accident as "Mama Gert" consistently reiterates the in house slogan of Columbia Sportswear, "Early to bed, early to rise, work like hell and advertise."

Distinctive Core Competencies and Core Competencies

Innovative, extremely high quality products that stem from the company's ability to take risks and "try stuff". From their Omni-tech hot and cold fabric technologies to their interchangeable three in one jackets, Columbia has a stranglehold on the outdoor sportswear industry. With multiple patents and lifetime warranties, Columbia knows exactly what it is that sets them apart from other industries and they do not intend on letting others in on these unique fabrics and patented products.

VI. Market and Competitive Analysis

Michael Porter's Five Forces Model of Competition

Michael Porter's Five Forces of Competition Matrix was used to assess the industry Columbia Sportswear's operates within. The model portrayed the high level of competition that Columbia experiences with competitors in the sportswear industry. The top competitors in the industry are North Face, Patagonia, Under Armour, Lululemon and Cabela's. Threats of substitutes were found to be highly significant due to relative prices and similar performance of substitutes. Threat of new entry is relatively low due to high startup cost and the need for brand recognition and identity. Supplier and buyer power have a moderately high effect on Columbia Sportswear due to competitive pricing, substitutes available and product quality. Overall, Columbia faces a high level of competition and if they implement the strategy provided then the result should be strengthening the company's market share and position in the industry. **See Appendix E**

Strategic Group Maps

In the pre-recommendation group map, you can see that Columbia falls within the same market as Cabela's. They both offer inexpensive sportswear and have high availability in comparison to their competitors. Columbia has a slightly higher availability rating since they are offered in many different stores including Cabela's. We want to move Columbia away from Cabela's market share so that they will have little to no competition. We suggest a joint venture with Lululemon so that we can take advantage of their vertical retail strategy, which would help us not only create a better product but it would also help Columbia gain a higher availability rating. Since Columbia would be producing higher end products they could also raise their prices slightly. These suggestions would move Columbia outside of Cabela's market with little overlap remaining. **See Appendix F**

Competitive Strength Assessment

Compared to the rival companies, Columbia's CSA score is very good. The company is very strong when it comes to innovative products at reasonable prices even during pre-recommendations. This helps put Columbia above the rest of the competition and with post-recommendations, Columbia will be well above the competition. **See Appendix G**

IE Matrices

Pre-Recommendation

On the IE Matrix all of the companies fall between the "Grow and Build" and the "Hold and Maintain" areas of the chart. However, Cabela's and Columbia have more average scores when compared to the other companies who have higher scores in both their IFE and EFE weighted scores. The reason why Cabela's and Columbia have lower scores is that their growth has been very slow. The slow growth in combination with the Economic Recession gave them average scores. Columbia falls in both the V and II cell but it would appear that they are moving more into the II cell which put them more into the "Grow and Build" category. They also share space with Cabela's on this chart. **See Appendix H**

Post-Recommendation

The post-recommendations IE Matrix has put Columbia in a much better position. Both their IFE and EFE weighted scores have increased and put them firmly in the "Grow and Build" category. This increase in scores has also brought them out of the same space as Cabela's and put them more in line with the other clothing manufacturers. When compared to the other clothing manufacturers who were already in this space they would appear to be outperforming them in the IFE/EFE weighted scores. **See Appendix H**

BCG Matrices

The BCG Matrix displays how Columbia is doing in comparison to the other companies in its industry. Pre-recommendations, Columbia is sitting as a "cash cow" due to its good market share but slow growth rate. Lululemon and Under Armour are sitting in the question mark area while Cabela's is also sitting in the cash cow area with Columbia. With our recommendations put into place, Columbia will increase its market share slightly but increase its growth rate. Columbia will begin to go into the rising star category. This joint venture will also benefit Lululemon because they will begin to head towards the rising star quadrant because their market share would increase. **See Appendix I**

GE Nine-Cell Planning Grid

In the pre-recommendation competitive strength assessment score, Columbia scored a 7.3 which shows that they are doing well among the competition in the industry. The various industries range from 5.25 to 6.25 on the industry strength assessment illustrating that these subdivisions are relatively strong. All of the companies are in the same area above the grow or let go portion of the grid so there is a lot of competition among them.

In the post-recommendation competitive assessment score, Columbia scored a 7.7 because these recommendations are aimed at pushing the company into the invest portion of the grid. Many of the competing companies will remain the same, but the joint venture with Lululemon will help them move up as well. There is also a change in the outdoor manufacturer industry score -

because there is always a need to bring more innovative products in the most eco-friendly way. **See Appendix G**

Company Life Cycle

Our company life cycle displays what stage our company as well as our competitors are currently situated in the industry. When comparing Columbia to its three competitors, none of the competitors were at the introductory stage of the life cycle as none are fairly new companies. Lululemon and Under Armour are in the growth stage, as these companies have shown strong promise and growth in recent years, with expanding product lines. Cabela's had just peaked over the growth stage and just entered into the maturity stage of the life cycle, while Columbia is towards the end of the maturity stage and is heading for a most certain decline on the cycle if improvements and changes are not made. With our recommendations, Columbia should be able to revitalize its business strategies and re-enter the growth stage of the Company Life Cycle. **See Appendix J**

VII. In-depth Financial Analysis

Edward Altman Z-Score

After obtaining the financial information about Columbia Sportswear off of Mergent online, our group was able to calculate the Edward Altman Z-Score using the various necessary ratios. Our Z-score calculation came out to **6.8158**, which stipulates that Columbia Sportswear is in no immediate danger of upcoming bankruptcy, with 97% confidence, on the Z-score scale. Although Columbia's z-score is strong, we believe that there are many aspects of the business that could substantially be improved, therefore further improving our z-score as well. **See Appendix K**

Trend Analysis

When doing the trend analysis for Columbia Sportswear, we decided to look at three of Columbia's biggest competitors (Under Armour, Lululemon and Cabela's) as well as the industry average of all four companies. The first trend analysis evaluated was the Return on Equity (ROE). Columbia performed near the bottom of the pack with ROEs ranging from 6-10% over the past five years. This shows that Columbia's profit was fairly low when compared with the money that stockholders have invested into the company. The company with the highest ROE was Lululemon, who dominated all five years. The next trend that analyzed was the EBITDA. Columbia once again underperformed all of the groups by having an EBITDA under 10% for all five years. By eliminating the effects of financing and accounting decisions, the EBITDA compares the profitability of companies and with Columbia having the lowest EBITDA; they are underperforming in the profitability category. The leader of EBITDA was Lululemon, who once again dominated the group and performed well above the industry average. The third trend analysis was the total debt to equity. Columbia has a very low debt to equity, which gives Columbia an opportunity to take more risk in new investments in hopes of high return on investment, which could be used for expanded marketing and advertising campaigns aimed to move the company from more of a mature company to a growing company on the company life cycle, while expanding Columbia's market share as well. Cabela's had the very high debt to equity ratio, meaning that unless they find high return on investments in the next few years, they may find themselves in a financial struggle. The fourth trend we analyzed was the revenue per employee. Columbia finally performed exceptionally well when it came to this category by paying out over $400,000 per year in revenues per employee. By paying the most to their employees, Columbia maintains a positive image but also has much higher employment expenses comparative to the industry average. The rise of these expenses should be curtailed in the future in order to cut expenses, which is necessary in this stage the companies development The lowest performer in this analysis was surprisingly Lululemon, who underperformed the industry average by almost $100,000, which could also attribute to their high profitability. The fifth and final trend that we analyzed was the EBIT/Revenue for each company. Columbia underperformed the industry average as well as the rest of the competitors by having the lowest EBIT/Revenue ratio. The EBIT/Revenue ratio displays a company's ability to efficiently convert its revenues into earnings. Columbia has very low EBIT/Revenue, showing Columbia's inefficiency in its business operations. Columbia could improve this ratio by working to lower its expenses while increasing revenues. The leader was Lululemon, who continually proves to have very efficient operations, which dominated the market and beat the industry average by 10% every year consistently. Many of the trends show a decline in recent years for Columbia. Ever since 2008, Columbia has shown declines in all 5 trends every year up until 2012. Hopefully looking to the future, Columbia can cut down on their expenses and work to cut down on the cost of operations in general, while using any cash on hand towards investments more likely to increase revenues, like marketing and advertising. **See Appendix L**

Revenues, Expenses, and Net Income

Using the financials provided to us by Mergent online, Columbia has shown a steady increase in revenues and expenses for the past 10 years. The net income was fairly steady for the past 10 years, never peaking above the $200,000,000 mark. During the increase in revenues and expenses, Columbia hit the economic downturn of 2008 and saw a large decrease in revenue over the next 3 years and started increasing again in 2011, at a low rate. The profit margin for Columbia in 2003 was 17.4% and in the 10 years since then it has decreased 4.8%. This is due to the fact that while Columbia is having rising revenues, their costs are rising at a higher rate. If these trends were to continue, Columbia could be headed towards financial struggles, and the imminent possibility of bankruptcy. **See Appendix M**

VIII. Recommendations and Implementations

SPACE Matrix

The SPACE matrix for Columbia shows that it is in the aggressive profile quadrant. This means that the company is using its competitive advantages to gain financial strength in an industry that is growing and stable. Columbia should focus efforts in industry strength as well as financial strengths. **See Appendix N**

Grand Strategy Matrix

According to the Grand Strategy Matrix, Columbia Sportswear is currently located in quadrant four. This indicates that they are in slow market growth but still have strong competitive position. The matrix suggests a joint venture to help the level of poor growth which we suggest Columbia join with Lululemon or Never Summer. Due to Columbia's competitive position we suggest they concentrate their efforts on the current market and in addition grow into several niche markets of the sportswear industry. This will strengthen the strategic position compared to their competitors. **See Appendix O**

QSPM

By developing a QSPM we were able to compare the three options of leaving Columbia in its current state, doing a joint-venture with Lululemon, and acquiring Never Summer. Based off the QSPM we would suggest that Columbia start negotiations for a joint venture with Lululemon and acquire Never Summer to diversify their product line. Lululemon is the most attractive option but it will also be the most difficult option because Lululemon is an already well-established and growing company. Acquiring Never Summer is an easier task because Never Summer is a small company that is struggling to meet demand. Columbia can use its company size and resources to acquire Never Summer and meet the demands of its customers. **See Appendix P**

Balanced Score Card

The balanced score card shows the recommendations that are presented in this paper and breaks down what department is to do what task. This score card breaks down the recommendations into four departments. Columbia is suggested to follow this card when getting ready to implement their new strategies. **See Appendix Q**

GANTT Chart

Short-term and long-term recommendations from current and projected information develop a few strategies that will cause dramatic increases to our company's net-worth. We believe these strategies will take Columbia from a good company to a great company within five years. With innovative ideas, cutting costs, emphasis on advertising and developing new products, the short and long term recommendations will bring Columbia continued growth and profitable results.

See Appendix R

EBIT and Net Worth Analysis

By using Columbia's stockholders' equity, net income, stock price, EPS, and shares outstanding at the time of the annual report, we calculated Columbia's estimated net worth. We used an x-factor of 5 and multiplied it with the net income to get our new predicted net income. We then divided the share price by the EPS and multiplied it by the net income. Lastly, we multiplied the number of shares by the share price. To get the final net worth, we averaged all of the above answers found our estimated net worth of about $1.3 billion. After the $58 Million acquisition of Never Summer Industries, we project a 9% increase in net income, a 16.5% increase in our stock price, with a 12% increase in our stockholders' equity. These statistics gave us a new net worth of $1.56 billion which would increase our revenues by a satisfactory amount and bring Columbia Sportswear closer to their competitors. **See Appendix S**

Pro Forma Recommendation Implementation

With our new advertising and marketing campaign strategies and product expansion/ improvement, along with our acquisition of Never Summer Industries, a quickly growing company, and our joint venture with Lululemon, we expect to increase our revenues by 30% in the first year, with these high growth rates fading to about 7% in ten years. Our joint venture with Lululemon stipulates no profit sharing, but rather a pooling of resources in order to improve our operations and therefore EBITDA/Revenue, while helping Lululemon create quality winter and summer apparel with our high quality fabric and materials through our low-cost suppliers, while also helping them acquire patents, which they do not currently have. By adopting operations strategies from Lululemon, we expect our COGS/Sales ratio to decrease from 57% to about 53%, and our SGA/Sales ratio to decrease from 39% to about 34%. The $337,000,000 necessary capital will be raised by issuing about 4,300,000 Common stock, as this strategy allows for the highest possible EPS. **See Appendix T**

Sources of Resistance

Weather is not reliable, and unfortunately the Columbia Sportswear business is heavily based on winter weather. This is a huge source of resistance for the company, and is also difficult to control. Years where the winter weather is less severe their consumers are not able to take full advantage of the products they offer and Columbia sales suffer. Columbia needs to shift focus from solely on their winter sports products to their full line of hiking, biking, fishing, and camping and warmer weather outdoor products.

Another source of resistance for Columbia is the change in consumer preferences. Columbia's competitors are continuously coming up with new and stylish outdoor gear that compete and challenge Columbia's current product style. Luckily, Columbia has seen much success with their Omni-heat technology however they need to continue to innovate their product lines. Columbia will face resistance from competitors and consumers alike with trends in the outdoor industry.

Contingency Plans

One thing that makes Columbia unique is their motto of "Trying stuff since 1938". With this said, it allows for Columbia to walk away from any failed business venture virtually unscathed. The first major portion of our implementation plan is to begin a joint venture with Lululemon. If this is not met with as much praise as we think, our contingency plan is not to quit on the venture, but rather to absolve our name and our brand from Lulu. Lululemon is a growing brand and has found their own successful niche, if our likeness accompanied with Lulu brings down sales, we believe that by sticking with Lulu consumers will eventually forget that we are even associated with them and sales will continue as we originally projected. The second major portion of our implementation plan is to purchase Never Summer, which is one of the most respected and quality snowboard manufacturers in the world. Our contingency plan is similar here as well. By removing our likeness from the brand we believe that business for Never Summer will continue as usual, and our profits will increase by adding an entire new industry to our portfolio. If our other recommendations do not work out, such as advertisements, attempting to break into the extreme sports market, or developing new products that Columbia does not currently make, we will simply stop making them and go back to what has worked for the last 75 years. As mentioned before, our innovativeness and willingness to take risks absolves the company from negativity regarding failed business strategies and we can simply walk away from them.

Fishbone Diagram

The fishbone diagram shows the process of how our goals will be carried out by the different departments within the company. Overall, we would like to provide more innovative products to our customers, different types of products outside of winter wear, and increase our market share. **See Appendix U**

IX. Epilogue

Currently Columbia is in a steady position within the sportswear clothing industry. They have an established brand name and have a decent portion of the market share. The Z-Score indicates they are not in danger of bankruptcy. Columbia needs to continue its current operations through manufacturing its multiple lines as well as product development and expand into other markets internationally. To increase their profitability they should acquire Never Summer, due to their highly rated snowboards that can increase and diversify Columbia's product line. Columbia should seek a joint venture with Lululemon to increase their market share by working with a highly popular company and improve its access to needed raw materials. They should seek to cut costs and decrease expenses through monopolizing on vertical integration and lowering their purchasing costs. If Columbia can improve their company operations, follow and implement the previous recommendations correctly then they will increase their market share and be more profitable.

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APPENDICES

Appendix A: Vision and Mission Statements

Current Mission

Columbia Sportswear outfits outdoor enthusiast with unmatched performance and advanced technology from head to toe with outerwear, sportswear, footwear, accessories, and equipment.

New Mission

Columbia Sportswear is an innovative company proud to continuously develop sustainable products that enhance the way our customers embrace the outdoors while empowering the community.

New Vision

We seek to influence, anticipate and respond to trends and shifts in the outdoor industry by adjusting the mix of available product offerings, developing new products with innovative performance features and design, and by creating persuasive and memorable marketing communications that drive brand awareness.

Core Values

Innovation, quality and performance.

APPENDIX B: SWOT Analysis and Matrices

Table 1 SWOT Analysis Columbia

SWOT Area	Key Indicator	Description
Strengths	1. Owners of multiple Omni technologies.	To serve every climate, Columbia has created Omni-Tech, Omni-Heat, Omni-Dry, Omni-Wick, and many more to keep the weather from interfering.
	2. 70+ Years of Experience.	Columbia was founded in 1938 by the Boyle couple when they bought a small hat company upon their arrival in Portland, OR.
	3. Original founding family still runs the company.	The original owners' daughter, Gert Boyle, became CEO in 1970 and now acts as the Chairman of the Board. Gert's son, Tim Boyle, is currently the longtime president and CEO.

	4. Many jackets feature Columbia Interchange System.	Many jackets feature a 3-in-1 system that act as layers and work with each other. With this innovation and ability to change out each layer this will make Columbia products more unique and desired than other brands.
	5. Solar Panels in use at Headquarters building.	In order to help preserve the environment that drives Columbia's sales, headquarters installed
Weaknesses	1. Dependent upon key personnel.	While Columbia has a lot of experience, the company also depends on those who have the experience and without them it may cause the company to veer off course in terms of their vision and mission statement.
	2. Success depends on company's distribution facilities, information systems, and growth strategy.	Columbia has built a company that relies on their technology,

		distribution, and strategies in order to succeed in their industry.
	3. Excess inventories may become a result of advance purchases.	Production will begin on orders that are placed well before they need to be filled and the cancellation of these orders could result in excess inventory.
	4. Labor disputes at factories or distribution facilities.	Problems with labor from Columbia employees could result in orders not being filled in a timely manner.
	5. Product liability and warranty claims.	Liability and claims do not happen often, but the severity of improperly working products could taint Columbia's image.

Opportunities	**1.** Named top innovator by Apparel Magazine	A leading magazine in the outdoor industry naming Columbia a top innovator will have a positive impact on their image

	2. Official supplier to NBC Sports	For many years, Olympic uniforms have been supplied by Columbia which puts out a lot of advertising.
	3. Is a part of the Outdoor Industry Association (OIA) Eco Working Group	As an outdoor company, Columbia is focused on working with other companies in the industry to help preserve the environment.

Threats	1. Financial Health of Retailers	As a manufacturer, Columbia relies on the economic status of retailers to help sell their product and remain profitable.
	2. Dependent upon Key suppliers	Columbia uses smaller manufacturers to supply their raw materials and often have trouble filling these orders.
	3. Change in historical weather conditions	Over the past decade,

		temperatures have been increasing which causes many customers to cancel orders or not make them at all.
	4. Seasonality affects business	Many of Columbia's products are do not satisfy year round requirements so that sales will look worse during warmer months than in the colder months.
	5. Consumer preferences and fashion trends	Consumers purchase Columbia products because of the name as well as style, but with changes in fashion and preferences, this will affect overall sales.

Table 2 SWOT Matrix: Columbia

	Strengths	**Weaknesses**
	1. Owners of multiple Omni technologies 2. 70+ Years of Experience 3. Original founding family still runs the company 4. Many jackets feature Columbia Interchange System 5. Solar Panels in use at Headquarters building	1. Dependent upon key personnel 2. Success depends on companies distribution facilities, information systems, and growth strategy 3. Excess inventories may become a result of advance purchases 4. Labor disputes at factories or distribution facilities 5. Product liability and warranty claims
Opportunities 1. Named top innovator by Apparel Magazine 2. Official supplier to NBC Sports 3. Is a part of the Outdoor Industry Association (OIA) Eco Working Group	**SO Strategies** 1. Keep innovating technology to stay above competition. (S1, O1) 2. Use experience to create new products not seen in the industry. (S2, O1) 3. Promote use of eco-friendly headquarters to gain better image. (S5, O3)	**WO Strategies** 1. Boost advertising at NBC Sports events to gain increase in sales. (W3, O2) 2. Work with new employees about product innovation. (W1, O1) 3. Increase Six Sigma efforts to make products with lower defects. (W5, O1)
Threats 1. Financial Health of Retailers 2. Dependent upon independent manufacturers 3. Change in historical weather conditions 4. Seasonality affects business 5. Consumer preferences and fashion trends	**ST Strategies** 1. Use innovative products to help retailers. (S1, S4, T1) 2. Use experience to properly forecast sales. (S2, T4, T4) 3. Develop technology that mimics seasonality of industry. (S1, S4, T3, T4)	**WT Strategies** 1. Provide better support to retailers to keep sales growing. (W2, T1) 2. Strengthen supply chain. (W2, T2) 3. Stay up on the latest trends that focus on what customers want. (W2, W3, T5)

Table 3 SWOT Matrix: Cabela's

	Strengths	**Weaknesses**
	1. Direct marketing through catalogs and e-commerce **2.** Retail store expansion **3.** CLUB Visa Program **4.** Legendary Guarantee and Xtreme Protection plans **5.** Cabela's Television including Cabela's Ultimate Adventures and Cabela's Fisherman's Handbook	**1.** Possible loss of key management **2.** Keeping strength of the brand strong. **3.** Disruption of the supply of products and services from vendors **4.** Disruptions in information Systems **5.** Store sales will fluctuate
Opportunities **1.** Multiple brand partnerships including Pepsi, Geico, and Chevy **2.** Multiple conservation partners including the NRA, American Sport fishing Association, and Sportsmen for Fish & Wildlife **3.** Sponsor of multiple fishing and hunting tournaments **4.** Helped place first order with Leatherman which helped boost this small business	**SO Strategies** 1. Bring catalogs to tournaments that are sponsored. (S1, 03) 2. Offer CLUB Visa cards to members of NRA, American Sports fishing Association, and other partnered groups. (S3, O2)	**WO Strategies** 1. Advertise brand at sponsored events. (W2, O3) 2. Advertise in-store sales with partners and at tournaments. (W5, O1, O2, O3)
Threats 1. Online shopping 2. Competition in outdoor recreation, casual apparel, and footwear markets 3. Political and economic uncertainty where merchandise vendors are located 4. Declines in discretionary consumer spending 5. Natural disaster could affect merchandise	**ST Strategies** 1. Increase direct marketing online. (S1,T1) 2. Advertise products and promotions on Cabela's TV. (S4, S5,T4) 3. Keep expanding store count along with keeping stock in stores at an optimal price. (S2, T5)	**WT Strategies** 1. Establish a better online presence with brand. (W2, O1) 2. Out sell competition by keeping key personnel on staff through incentives or rewards. (W1, T2)

delivery		

Table 4 SWOT Matrix: Patagonia

	Strengths 1. Focused on promoting non-motorized sports 2. Launching new Technical Climbing Pack Collection in 2014 3. Patagonia Field Reports 4. Family Friendly Policies	**Weaknesses** 1. Change to organic materials lowers profit margin 2. Eco-friendly business activities raise costs 3. Rarely uses shipping by air
Opportunities 1. Responsible Manufacturing Partnership with Fair Trade USA 2. Collaboration with Nature Conservancy to restore grasslands 3. Partnered with New Belgium Brewing to create an Organic Lager	**SO Strategies** 1. Preserve more of the environment through a focus on non-motorized sports. (S1, O2) 2. Put more emphasis on field reports to promote conservation efforts. (S3, O2)	**WO Strategies** 1. Strengthen partnership with Fair Trade USA to help promote sales. (W1, O1) 2. population knowledge about Patagonia's eco-friendly efforts. (W2, O2) 3. Look into more efficient way to deliver products by air. (W3, O2)
Threats 1. Online Shopping 2. Competition from bigger rivals 3. Dropped from Most Ethical Companies List	**ST Strategies** 1. Promote Field Reports to bring in more traffic to website. (S3, T1) 2. Promote family friendly policies to increase image. (S4, T3)	**WT Strategies** 1. Focus on ways to make air delivery more viable for internet sales. (W3, T1) 2. Promote organic material use to differentiate Patagonia from Competitors. (W1, T2)

Table 5 SWOT Matrix: Lululemon

	Strengths	Weaknesses
	1. Constantly producing new styles of sports apparel 2. High Quality Products 3. Vertical Retail Strategy 4. Customer Loyalty 5. Well trained staff	1. Weak brand recognition 2. Female Focus 3. Slow growth strategy 4. Weak Online Presence
Opportunities 1. International Expansion 2. Branch out to new market 3. Build brand recognition 4. Branch out to more sports	**SO Strategies** 1. Use vertical retail strategy to begin branching out into new markets. (S3, O2) 2. Create a customer referral program to bring in new customers and provide discounts to current customers (S4, O3) 3. Use the fact that product is of superior quality to branch out of sports and into other clothing markets (S2, O4)	**WO Strategies** 1. Continue to expand the brand into new markets (W1, O1) 2. Start focusing on new demographics. (W2, O2) 3. Ramp up growth to build brand recognition. (W3, O3)
Threats 1. Economic Conditions 2. Strong Competition 3. Small market 4. Can be imitated	**ST Strategies** 1. Create a customer loyalty program that offers discounts to returning customers (S4, T1) 2. Create ad campaign to show how their quality and style is better than the competition (S1, S2, T2) 3. Create ad campaign comparing their products to imitators thus showing how Lululemon is superior (S2,	**WT Strategies** 1. Ramp up growth to grow market share (W3, T3) 2. Begin pushing online store as a new place to buy products to grow in a new market (W4, T3) 3. Begin working to provide clothing for a new demographic to differentiate yourself from the competition (W2, T2)

	O4)	

Table 6 SWOT Matrix: Under Armour

	Strengths 1. Strong Brand 2. Athletic Endorsements 3. Customer Loyalty 4. Innovative product 5. Good Employee Relationship	**Weaknesses** 1. Limited Product Range 2. High Prices 3. Limited online presence 4. Male targeted brand
Opportunities 1. International Expansion 2. Lower Prices 3. Variety of Sports 4. Branch out of sports 5. New designs in fabric	**SO Strategies** 1. Use Athletic Endorsements break into different sports (S2, O3) 2. Create customer loyalty program to provide discounts to return customers (S3, O2) 3. Use brand strength to branch out of sports (S1, O4)	**WO Strategies** 1. Create new product line outside of sports (W1, O4) 2. Create a tiered pricing system (W2, O2) 3. Offer online discounts to penetrate the online market (W3, O2)

Threats	ST Strategies	WT Strategies
1. Economic Recession 2. Other companies in same space 3. Substitute products 4. Niche market	1. Create ad campaign showing innovation behind their product to sway customers away from substitute products (S4, T3) 2. Use their strong brand to break out of their niche market and expand to new markets (S1, T4) 3. Use Athletic endorsements to sway people away from other companies (S2, T2)	1. Expand targeted brand to differentiate yourself from other companies (W4, T2) 2. Lower prices to compete with substitute products (W2, T3) 3. Expand product line so products are not so niche (W1, T4)

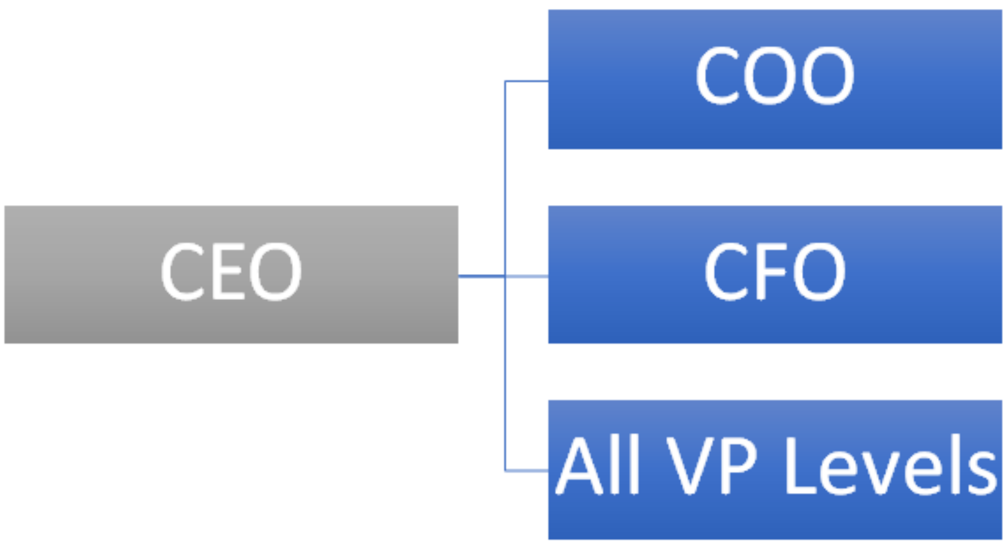
Table 7 SWOT Matrix: Marmot

	Strengths	Weaknesses
	1. Good Quality Product 2. Strong Customer Loyalty 3. Online Presence	1. High Pricing 2. Lots of Competition 3. Niche Market
Opportunities 1. Variety of Sports Wear 2. Lower Prices 3. Branch out of Sports	**SO Strategies** 1. Use superior quality to break into other sports wear (S1, O1) 2. Offer online discounts (S3, O2) 3. Begin manufacturing other clothes outside of sportswear. Loyal customers will purchase this clothing along with their sportswear (S2, O3)	**WO Strategies** 1. Offer a variety of sportswear to differentiate themselves from competition. (W2, O1) 2. Begin offering more than sportswear to exit the niche market (W3, O3) 3. Begin offering discounts on clothing (W1, O2)

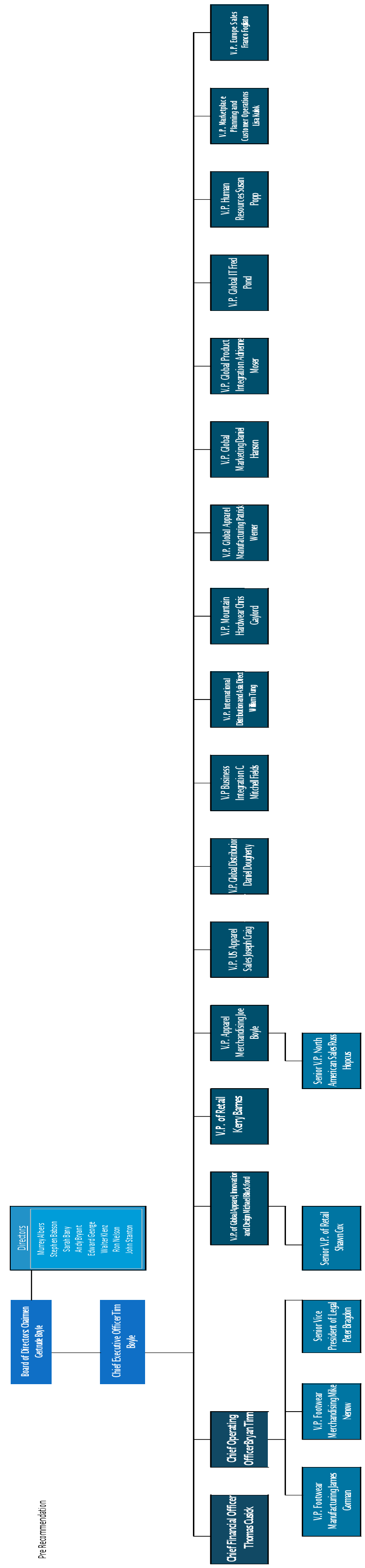
Threats	ST Strategies	WT Strategies
1. Economic Recession 2. Strong Competition 3. Substitute Products 4. Cheaper and Stronger Brands	1. Create Customer loyalty program to offer discounts to returning customers (S2, O1) 2. Create ad campaign showing their quality is superior to the competition and substitute products (S2, T2, T3) 3. Expand online market to strengthen brand (S3, T4)	1. Lower prices to make up for economic recession (W1, T1) 2. Expand clothing line to exit niche market and compete with less companies (W3, T2)

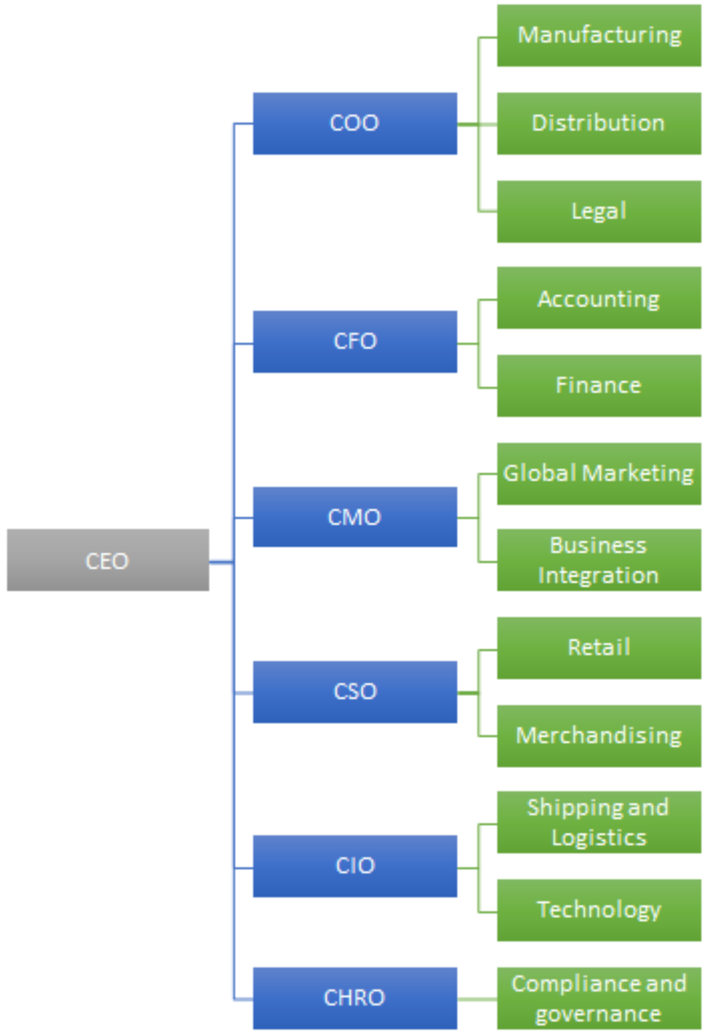
APPENDIX C: Organizational Chart

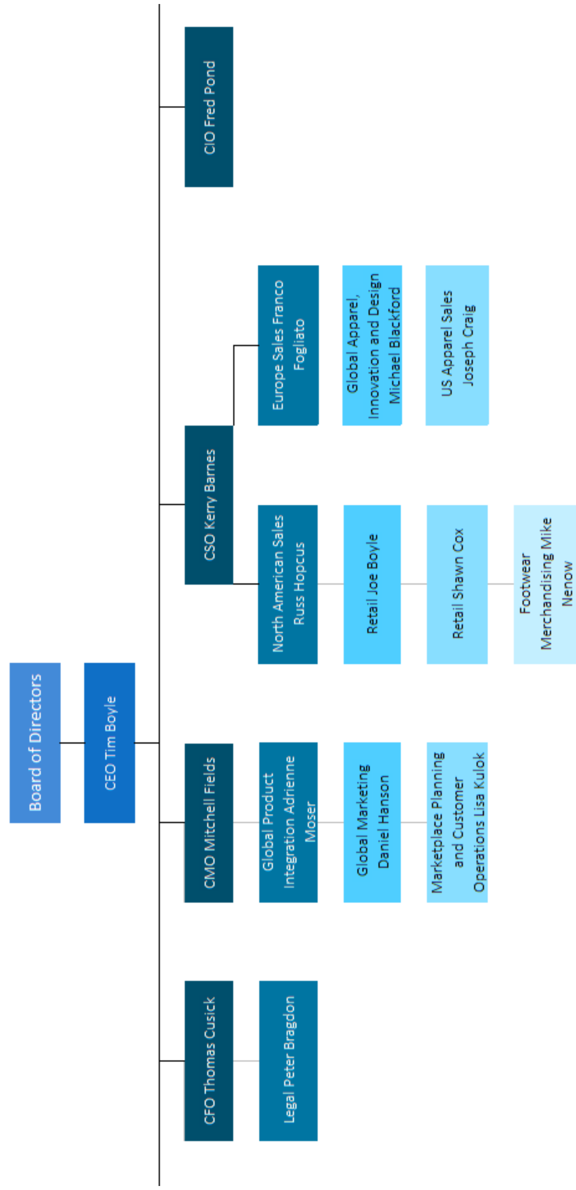
Current Organizational Structure



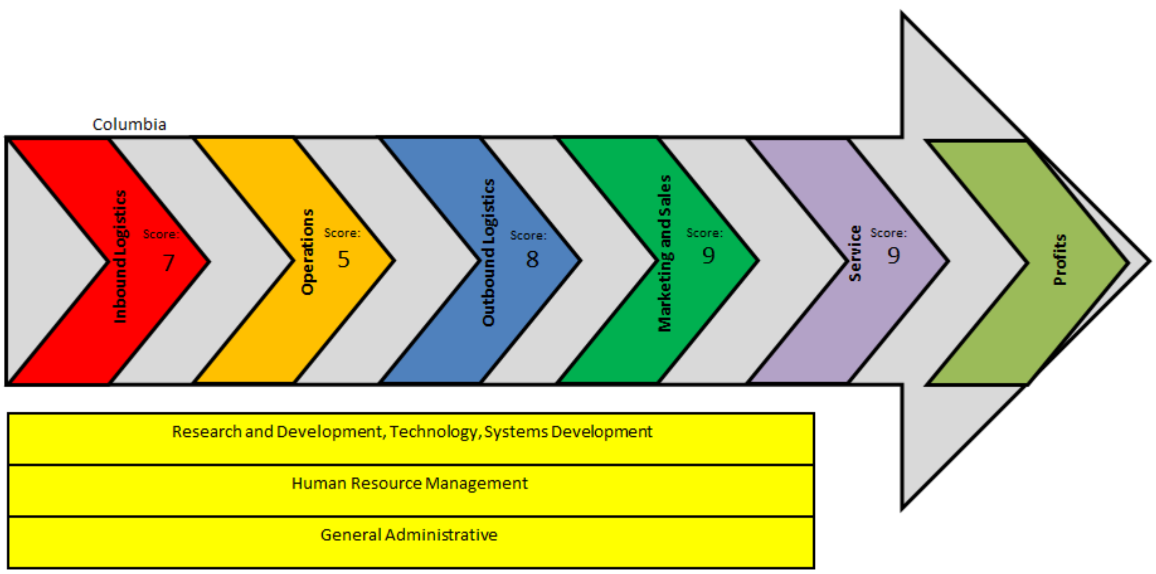
Reorganization



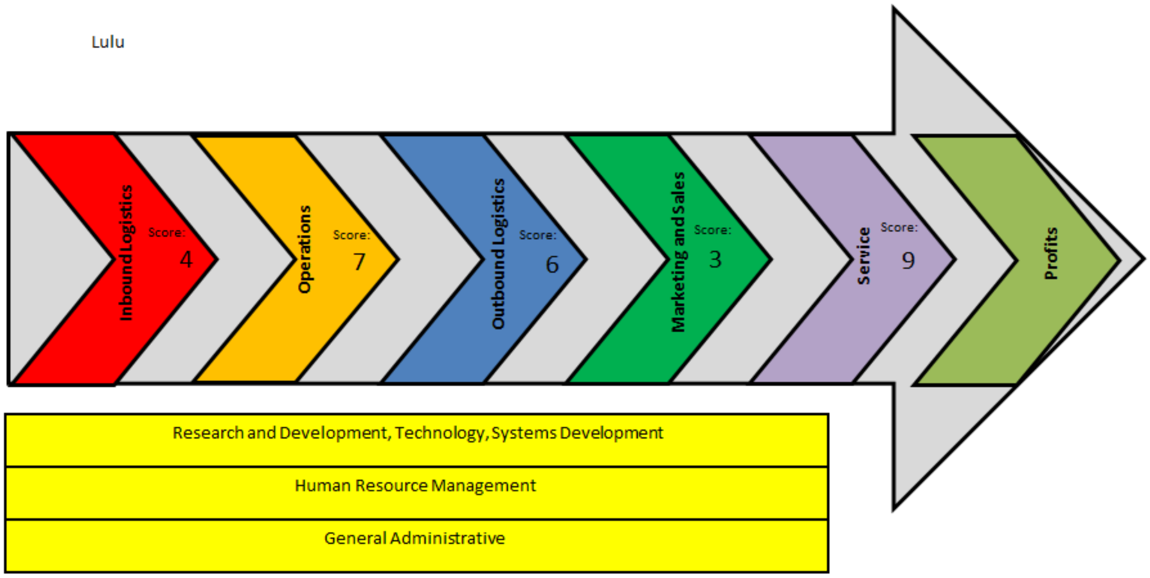

CEO
COO
CFO
CMO
CSO
CIO
CHRO
Manufacturing
Distribution
Legal
Accounting
Finance
Global Marketing
Business Integration
Retail
Merchandising
Shipping and Logistics
Technology
Compliance and governance



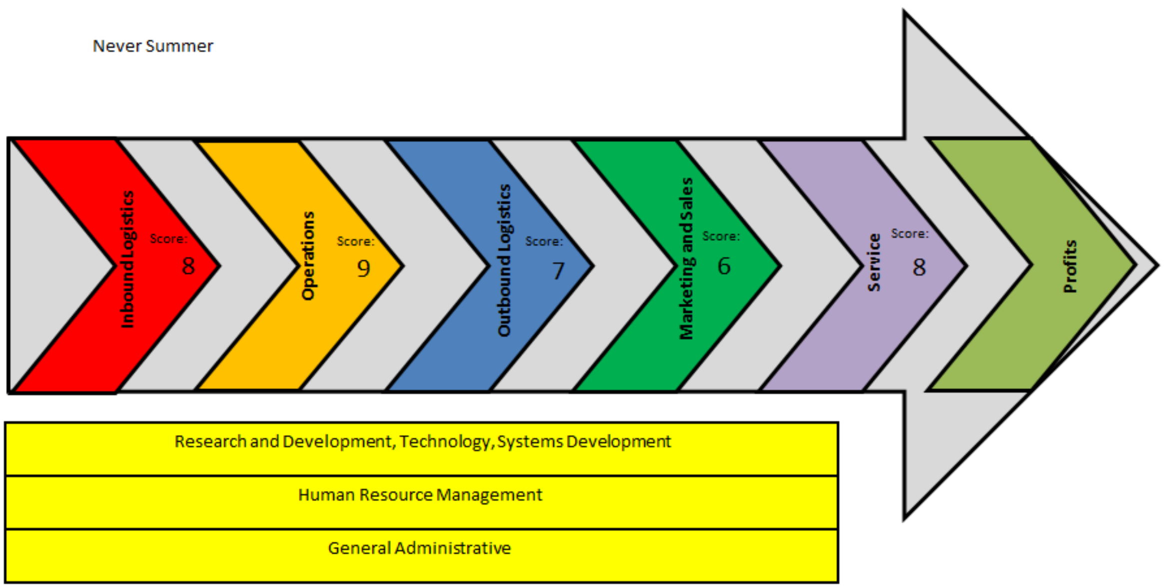
Appendix D: Value Chain



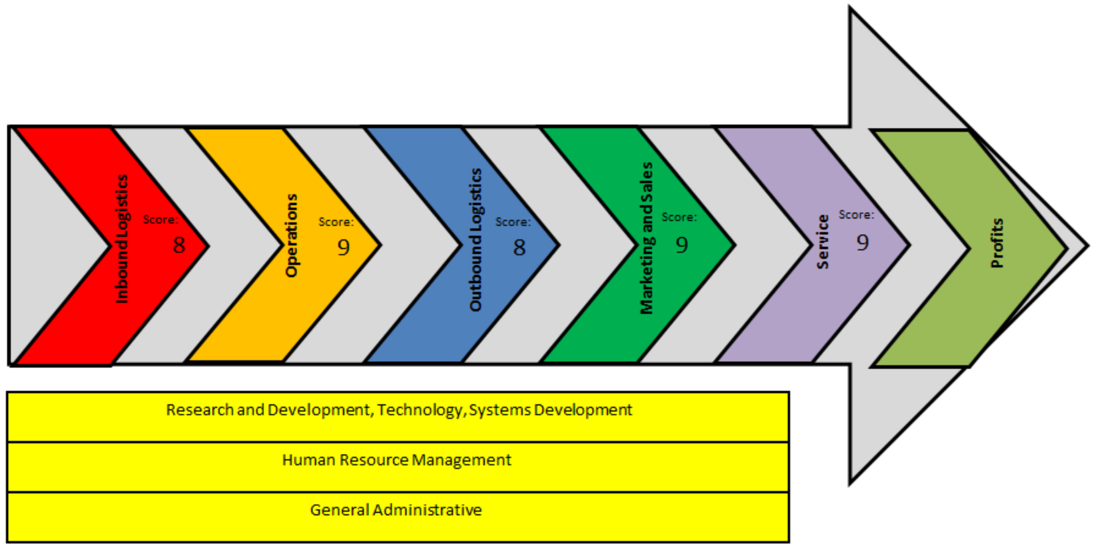
Lulu



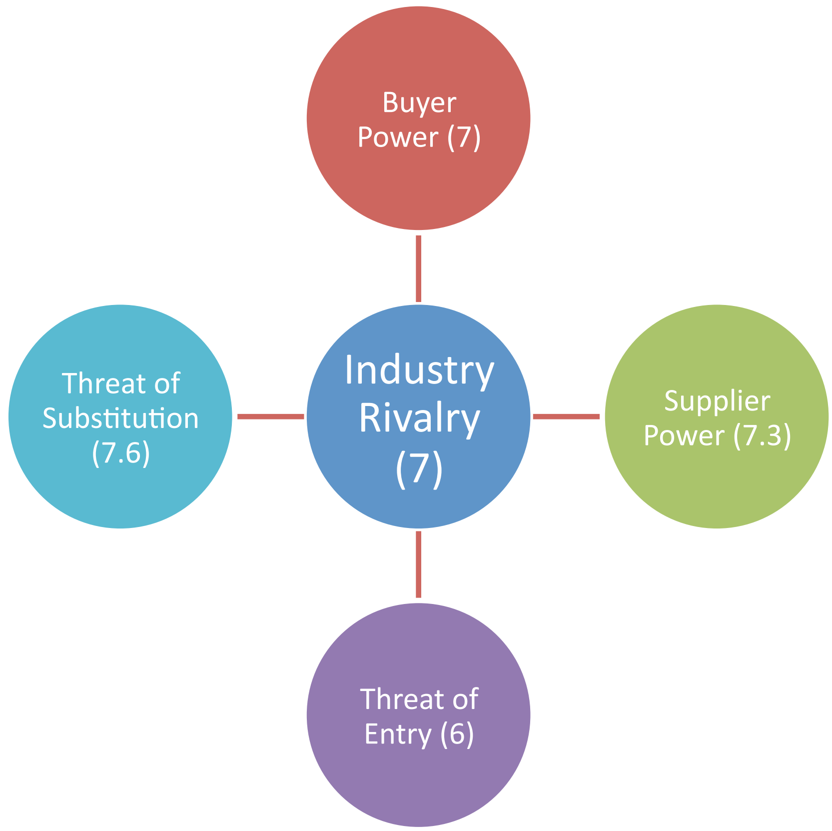
Never Summer



Combined/Post

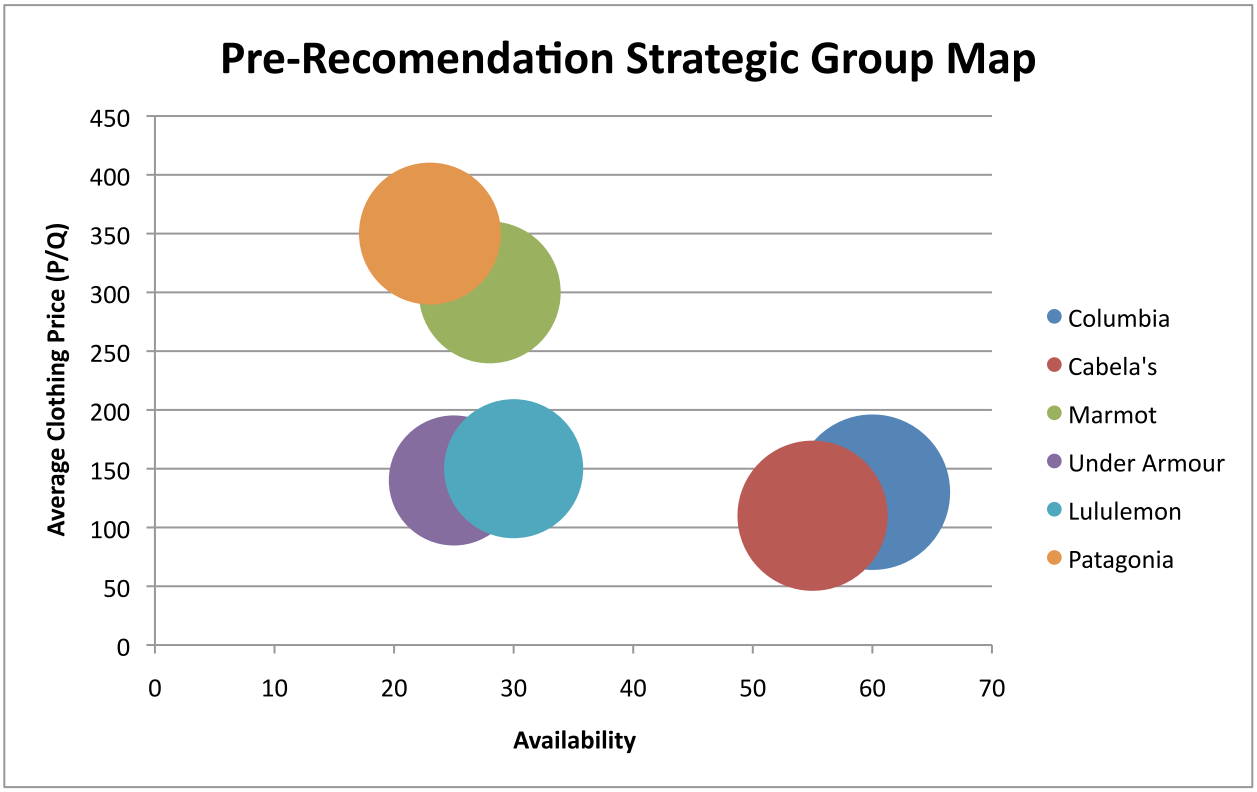


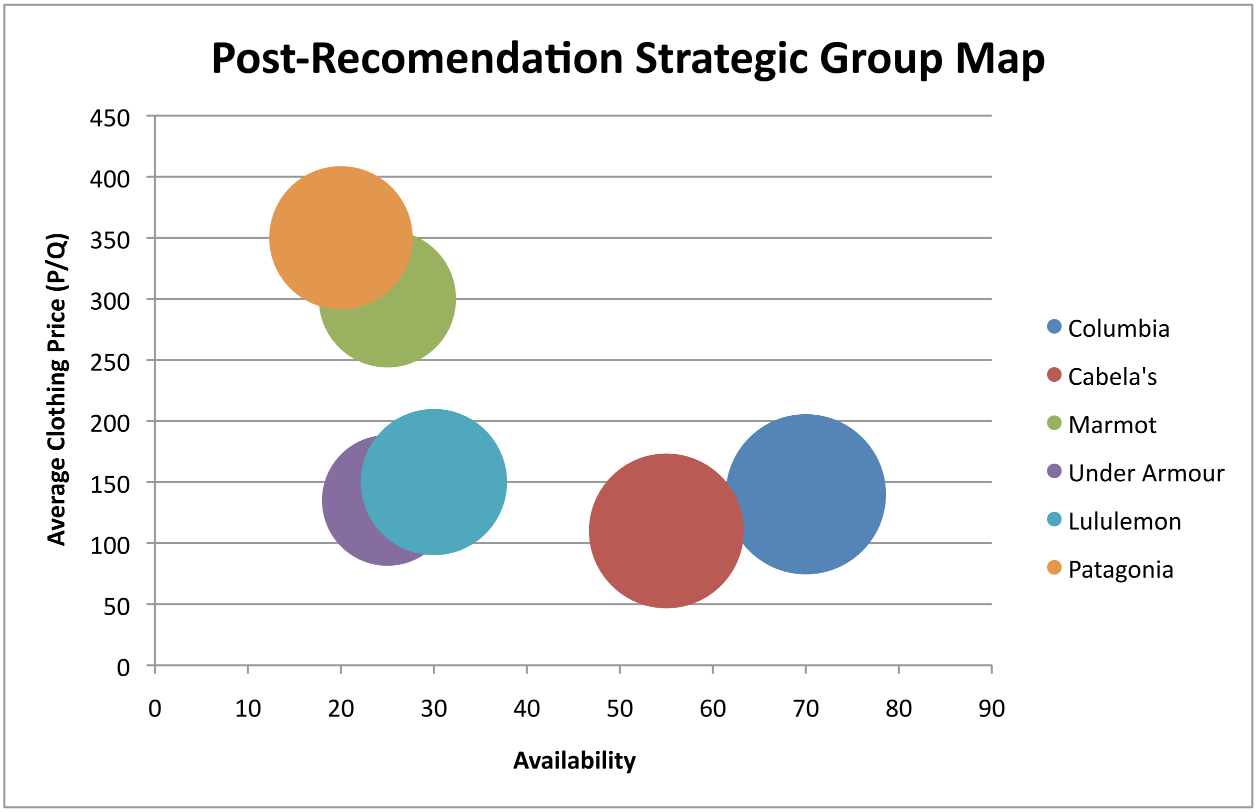
Appendix E: Michael Porter's Five Forces



Supplier Power (7.3)	Buyer Power (7)	Industry Rivalry (7)	Threat of Entry (6)	Threat of Substitutes (7.6)
Product Pricing (8) Quality of Product (7) Environmental Factors (6) Product Availability (8)	Competitive Pricing (8) Brand Differentiation (7) Cost of product (6) Buyer Volume (5) Substitutes Available (9)	North Face (9) Cabela's (5) Patagonia (8) Under Armour (7) Lululemon (6)	Need Brand Recognition (6) High Startup Cost (7) Brand Identity (6) Access to distribution (5)	Opportunity Cost (6) Relative Prices (8) Performance of Substitutes (9)

Appendix F: Strategic Group Maps





Assumptions:

- P/Q based off of prices found online and the company's overall quality of products
- Market share covers sales in annual reports and sales assumptions for private companies
- Joint-Venture with Lululemon should increase market share and overall P/Q

Appendix G: GE 9 Cell Matrix/CSA

Competitive Strength Assessment Pre-Recommendations													
Key Success Factor/ Strength	Importance Weight	Columbia Rating	Columbia Score	Cabela's Rating	Cabela's Score	Lululemon Rating	Lululemon Score	Under Armor Score	Under Armor Rating	Patagonia Rating	Patagonia Score	Marmot Rating	Marmot Score
Quality at a Reasonable Price	0.15	8	1.5	7	1.65	6	0.8	7	1.3	6	0.9	7	1.1
Attention to Details	0.1	8	0.95	5	0.4	8	1.3	8	0.85	6	0.85	8	1.2
Lifetime Warranties	0.15	6	0.7	6	0.65	7	0.95	6	0.9	8	0.95	8	0.95
Product Innovation	0.2	8	1.2	4	0.15	8	0.85	7	0.75	8	1.4	7	0.85
Quality Control	0.15	5	0.85	5	0.5	6	0.75	8	1.2	7	0.95	6	0.75
Range of Products	0.15	7	1	9	2	5	0.9	6	0.75	6	0.8	7	0.6
Company Culture	0.1	6	1.1	8	0.8	6	0.8	6	0.6	8	1.35	8	0.65
Sum of weights	1.00												
Weighted Overall strength rating			7.3		6.15		6.35		6.35		7.2		6.1

Competitive Strength Assessment Post-Recommendations													
Key Success Factor/ Strength	Importance Weight	Columbia Rating	Columbia Score	Cabela's Rating	Cabela's Score	Lululemon Rating	Lululemon Score	Under Armor Score	Under Armor Rating	Patagonia Rating	Patagonia Score	Marmot Rating	Marmot Score
Quality at a Reasonable Price	0.15	8	1.5	7	1.65	6	0.8	7	1.3	6	0.9	7	1.1
Attention to Details	0.1	8	1	5	0.4	8	1.7	8	0.85	6	0.85	8	1.2
Lifetime Warranties	0.15	6	0.7	6	0.65	7	0.95	6	0.9	8	0.95	8	0.95
Product Innovation	0.2	8	1.3	4	0.15	8	0.95	7	0.75	8	1.4	7	0.85
Quality Control	0.15	7	0.9	5	0.5	6	1	8	1.2	7	0.95	6	0.75
Range of Products	0.15	8	1.2	9	2	5	0.9	6	0.75	6	0.8	7	0.6
Company Culture	0.1	6	1.1	8	0.8	6	0.8	6	0.6	8	1.35	8	0.65
Sum of weights	1.00												
Weighted Overall strength rating			7.7		6.15		7.1		6.35		7.2		6.1

Industy Strength Assessment Pre-Recommendation

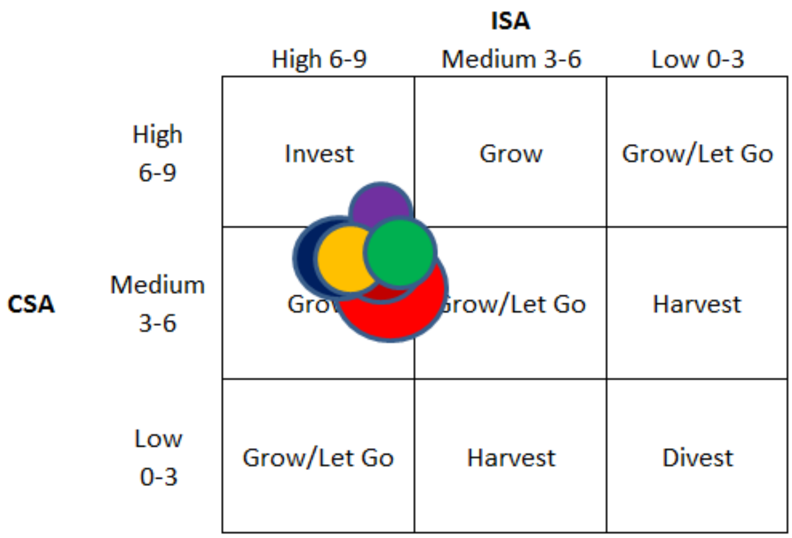
Key Success Factor/ Strength Measure	Importance Weight	Outdoor Manufacturer Rating	Outdoor Manufacturer Score	Outdoor Retailer Rating	Outdoor Retailer Score	Outdoor/ Athletic Rating	Outdoor/ Athletic Score
Market Size/Growth Rate	0.2	7	0.85	6	0.7	7	0.95
Intensity of Competition	0.15	8	0.95	7	0.8	7	1.1
Resource Requirements	0.1	5	0.8	4	0.3	6	0.7
Seasonal Influences	0.15	7	1.1	8	0.95	9	0.55
Macro-economic Factors	0.1	6	0.55	7	0.85	7	0.75
Business Risk	0.15	5	0.8	7	0.9	7	1.15
Industry Profitability	0.15	6	0.75	8	0.75	6	0.9
Sum of weights	1.00						
Weighted Overall strength rating			5.8		5.25		6.1

Industy Strength Assessment Post-Recommendation

Key Success Factor/ Strength Measure	Importance Weight	Outdoor Manufacturer Rating	Outdoor Manufacturer Score	Outdoor Retailer Rating	Outdoor Retailer Score	Outdoor/ Athletic Rating	Outdoor/ Athletic Score
Market Size/Growth Rate	0.2	7	0.95	6	0.7	7	0.95
Intensity of Competition	0.15	8	1.15	7	0.8	7	1.1
Resource Requirements	0.1	5	0.8	4	0.3	6	0.7
Seasonal Influences	0.15	7	1.15	8	0.95	9	0.55
Macro-economic Factors	0.1	6	0.65	7	0.85	7	0.75
Business Risk	0.15	5	0.8	7	0.9	7	1.15
Industry Profitability	0.15	6	0.75	8	0.75	6	0.9
Sum of weights	1.00						
Weighted Overall strength rating			6.25		5.25		6.1

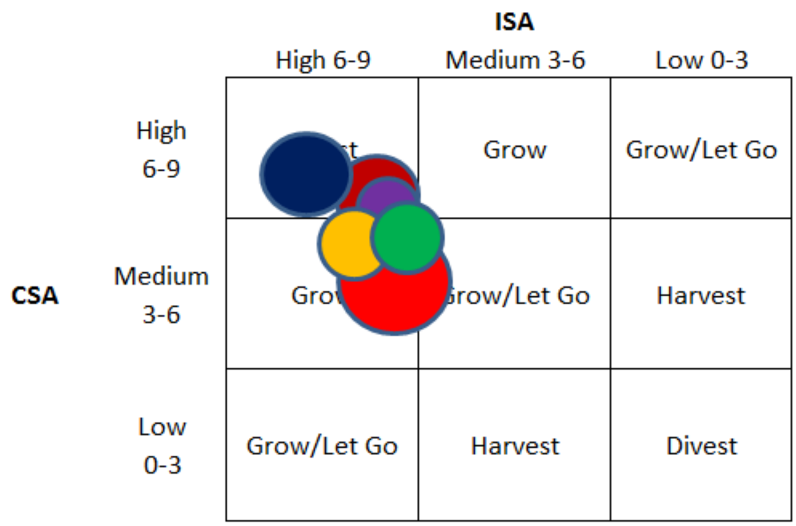
Pre-Recommendation						
Company	Columbia	Cabela's	Lululemon	Under Armor	Patagonia	Marmot
CSA	7.3	6.15	6.35	6.35	7.2	6.1
ISA	5.8	5.25	5.8	6.1	5.8	5.8

GE Nine-Cell Matrix Pre-Recommendation



Post-Recommendation						
Company	Columbia	Cabela's	Lululemon	Under Armor	Patagonia	Marmot
CSA	7.7	6.15	7.1	6.35	7.2	6.1
ISA	6.25	5.25	6.25	6.1	6.25	6.25

GE Nine-Cell Matrix Post-Recommendation



Appendix H: IE Matrices

Columbia IFE/EFE Pre-Recommendation

Strengths	Weight	Rating	Weighted Score
1. Owners of multiple Omni technologies	0.15	4	0.6
2. 70+ years of Experience	0.1	3	0.3
3. Original founding family still runs the company.	0.07	3	0.21
4. Many jackets feature Columbia Interchange System.	0.09	4	0.36
5. Solar panels in use at Headquarters building.	0.05	3	0.15
Weaknesses			
1. Dependent upon key personnel.	0.1	1	0.1
2. Success depends on companies distribution facilities, information systems, and growth strategy.	0.13	2	0.26
3. Excess inventories may become a result of advance purchases.	0.15	2	0.3
4. Labor disputes at factories or distribution facilities.	0.1	1	0.1
5. Product liability and warranty claims.	0.06	1	0.06
	1		2.44

Opportunities	Weight	Rating	Weighted Score
1. Named top innovator by Apparel Magazine	0.3	4	1.2
2. Official supplier to NBC Sports	0.18	4	0.72
3. Is a part of the Outdoor Industry Association (OIA) Eco Working Group	0.1	2	0.2
Threats			
1. Financial Health of Retailers	0.12	3	0.36
2. Dependent upon Key suppliers	0.08	2	0.16
3. Change in historical weather conditions	0.1	2	0.2
4. Seasonality affects business	0.08	2	0.16
5. Consumer preferences and fashion trends	0.04	1	0.04
	1		3.04

Columbia IFE/EFE Post-Recommendation

Strengths	Weight	Rating	Weighted Score
1. Owners of multiple Omni technologies	0.15	4	0.6
2. 70+ years of Experience	0.1	3	0.3
3. Original founding family still runs the company.	0.07	3	0.21
4. Many jackets feature Columbia Interchange System.	0.09	4	0.36
5. Solar panels in use at Headquarters building.	0.05	3	0.15
Weaknesses			
1. Dependent upon key personnel.	0.1	2	0.2
2. Success depends on companies distribution facilities, information systems, and growth strategy.	0.13	3	0.39
3. Excess inventories may become a result of advance purchases.	0.15	2	0.3
4. Labor disputes at factories or distribution facilities.	0.1	3	0.3
5. Product liability and warranty claims.	0.06	3	0.18
	1		2.99

Opportunities	Weight	Rating	Weighted Score
1. Named top innovator by Apparel Magazine	0.3	4	1.2
2. Official supplier to NBC Sports	0.18	4	0.72
3. Is a part of the Outdoor Industry Association (OIA) Eco Working Group	0.1	3	0.3
Threats			
1. Financial Health of Retailers	0.12	3	0.36
2. Dependent upon Key suppliers	0.08	3	0.24
3. Change in historical weather conditions	0.1	2	0.2
4. Seasonality affects business	0.08	3	0.24
5. Consumer preferences and fashion trends	0.04	2	0.08
	1		3.34

Cabela's IFE/EFE

Strengths	Weight	Rating	Weighted Score
1. Direct marketing through catalogs and e-commerce	0.14	3	0.42
2. Retail store expansion	0.08	2	0.16
3. CLUB Visa program	0.1	3	0.3
4. Legendary Guarantee and Xtreme Protection plans	0.1	2	0.2
5. Cabela's Television including Cabela's Ultimate Adventures and Cabela's Fisherman's Handbook	0.03	2	0.06
Weaknesses			
1. Possible loss of key management	0.13	3	0.39
2. Keeping strength of the brand strong	0.13	3	0.39
3. Disruption of the supply of products and services from vendors.	0.1	2	0.2
4. Disruption is Information Systems	0.1	2	0.2
5. Store sales will fluctuate	0.09	1	0.09
	1		2.41

Opportunities	Weight	Rating	Weighted Score
1. Multiple brand partnerships including Pepsi, Geico, and Chevy	0.15	3	0.45
2. Multiple conservation partners including the NRA, American Sportfishing Association, and Sportsmen for Fish and Wildlife	0.2	4	0.8
3. Is a part of the Outdoor Industry Association (OIA) Eco Working Group	0.06	3	0.18
4. Helped place first order with Leatherman which helped boost this small business	0.05	1	0.05
Threats			
1. Online shopping	0.2	4	0.8
2. Competition in outdoor recreation, casual apparel, and footwear markets	0.1	3	0.3
3. Political and economic uncertainty where merchandise vendors are located.	0.09	2	0.18
4. Declines in descretionary consumer spending.	0.1	2	0.2
5. Natural disaster could affect merchandise delivery	0.05	1	0.05
	1		3.01

Lululemon IFE/EFE

Strengths	Weight	Rating	Weighted Score
1. Constantly producing new styles of sports apparel	0.12	3	0.36
2. High quality products	0.1	3	0.3
3. Vertical retail strategy	0.15	4	0.6
4. Customer loyalty	0.09	3	0.27
5. Well trained staff	0.05	2	0.1
Weaknesses			
1. Weak brand recognition	0.1	3	0.3
2. Female focus	0.13	4	0.52
3. Slow growth strategy	0.15	2	0.3
4. Weak online presence	0.11	3	0.33
	1		3.08

Opportunities	Weight	Rating	Weighted Score
1. International expansion	0.15	3	0.45
2. Branch out to new market	0.12	3	0.36
3. Build brand recognition	0.12	4	0.48
4. Branch out to more sports	0.09	2	0.18
Threats			
1. Economic conditions	0.15	3	0.45
2. Strong competition	0.08	3	0.24
3. Small market	0.15	4	0.6
4. Can be imitated	0.14	3	0.42
	1		3.18

Under Armour IFE/EFE

Strengths	Weight	Rating	Weighted Score
1. Strong brand	0.1	3	0.3
2. Athletic endorsements	0.17	4	0.68
3. Customer loyalty	0.07	2	0.14
4. Innovative product	0.1	3	0.3
5. Good employee relationship	0.06	3	0.18
Weaknesses			
1. Limited product range	0.12	2	0.24
2. High prices	0.1	4	0.4
3. Limited online presence	0.15	3	0.45
4. Male targeted brand	0.13	2	0.26
	1		2.95

Opportunities	Weight	Rating	Weighted Score
1. International expansion	0.15	3	0.45
2. Lower prices	0.1	3	0.3
3. Variety of sports	0.13	4	0.52
4. Branch out of sports	0.1	2	0.2
5. New designs in fabric	0.09	2	0.18
Threats			
1. Economic recession	0.1	4	0.4
2. Other companies in same space	0.15	3	0.45
3. Substitute products	0.1	2	0.2
4. Niche market	0.08	2	0.16
	1		2.86

Patagonia IFE/EFE

Strengths	Weight	Rating	Weighted Score
1. Focused on promoting non-motorized sports	0.15	4	0.6
2. Lauching new Technical Climbing Pack Collection in 2014	0.15	3	0.45
3. Patagonia field reports	0.14	3	0.42
4. Family friendly policies	0.1	4	0.4
Weaknesses			
1. Change to organic materials lowers profit margin	0.18	3	0.54
2. Eco-friendly business activites raise costs	0.13	2	0.26
3. Rarely uses shipping by air	0.15	2	0.3
	1		2.97

Opportunities	Weight	Rating	Weighted Score
1. Responsible manufactiring partnership with Fair Trade USA	0.25	4	1
2. Collaboration with Nature Conservancy to restore grasslands	0.25	2	0.5
3. Partnered with New Belgium Brewing to create an Organic Lager	0.1	3	0.3
Threats			
1. Online Shopping	0.12	4	0.48
2. Competition from bigger rivals	0.13	2	0.26
3. Dropped from Most Ethical Companies List	0.15	3	0.45
	1		2.99

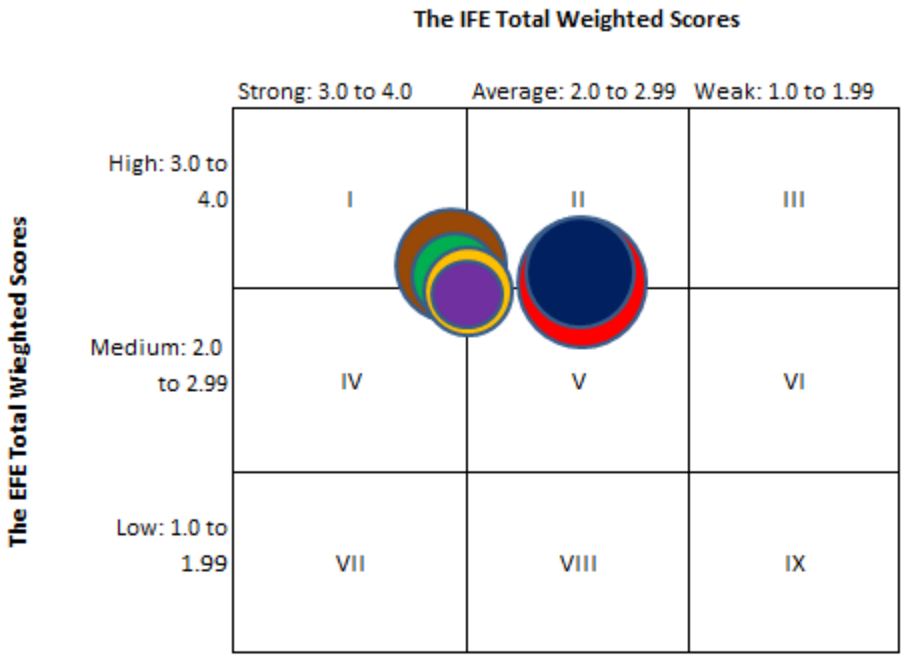
Marmot IFE/EFE

Strengths	Weight	Rating	Weighted Score
1. Good quality product	0.2	4	0.8
2. Strong customer loyalty	0.15	2	0.3
3. Online presence	0.15	3	0.45
Weaknesses			
1. High pricing	0.2	4	0.8
2. Lots of competition	0.15	3	0.45
3. Niche market	0.15	2	0.3
	1		3.1

Opportunities	Weight	Rating	Weighted Score
1. Variety of Sports Wear	0.25	3	0.75
2. Lower prices	0.2	3	0.6
3. Branch out of sports	0.12	3	0.36
Threats			
1. Economic recession	0.17	4	0.68
2. Strong competition	0.08	3	0.24
3. Substitute products	0.1	2	0.2
4. Cheaper and stronger brands	0.08	3	0.24
	1		3.07

Industry Competitors IE Matrix Pre-Recommendations

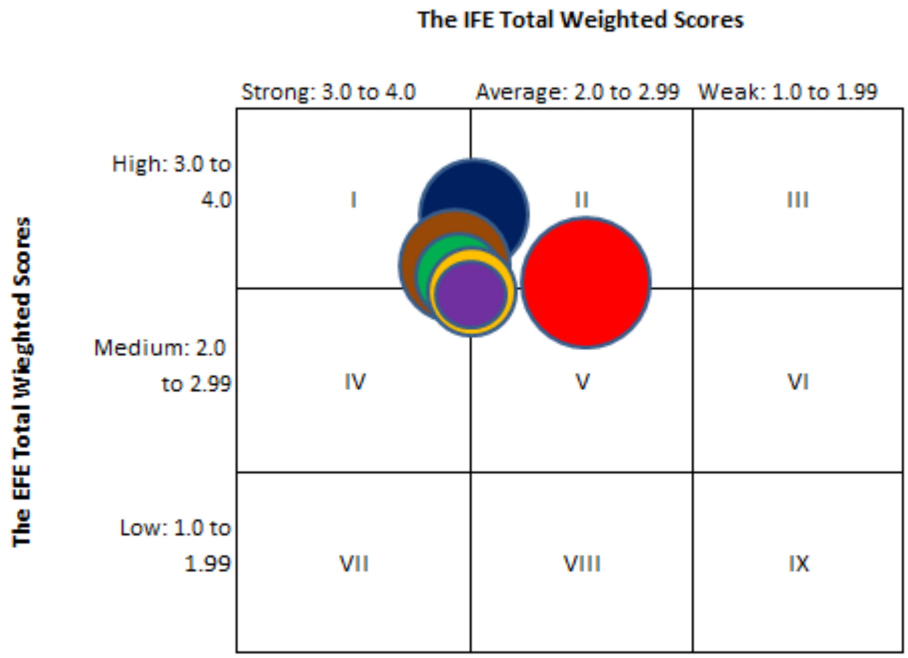
Company:	Columbia	Cabela's	Lululemon	Under Armour	Patagonia	Marmot
IFE:	2.44	2.41	3.08	2.95	2.97	3.1
EFE:	3.04	3.01	3.18	2.86	2.99	3.07



I, II, IV = Grow and Build
III, V, VII = Hold and Maintain
VI, VIII, IX = Harvest or Divest

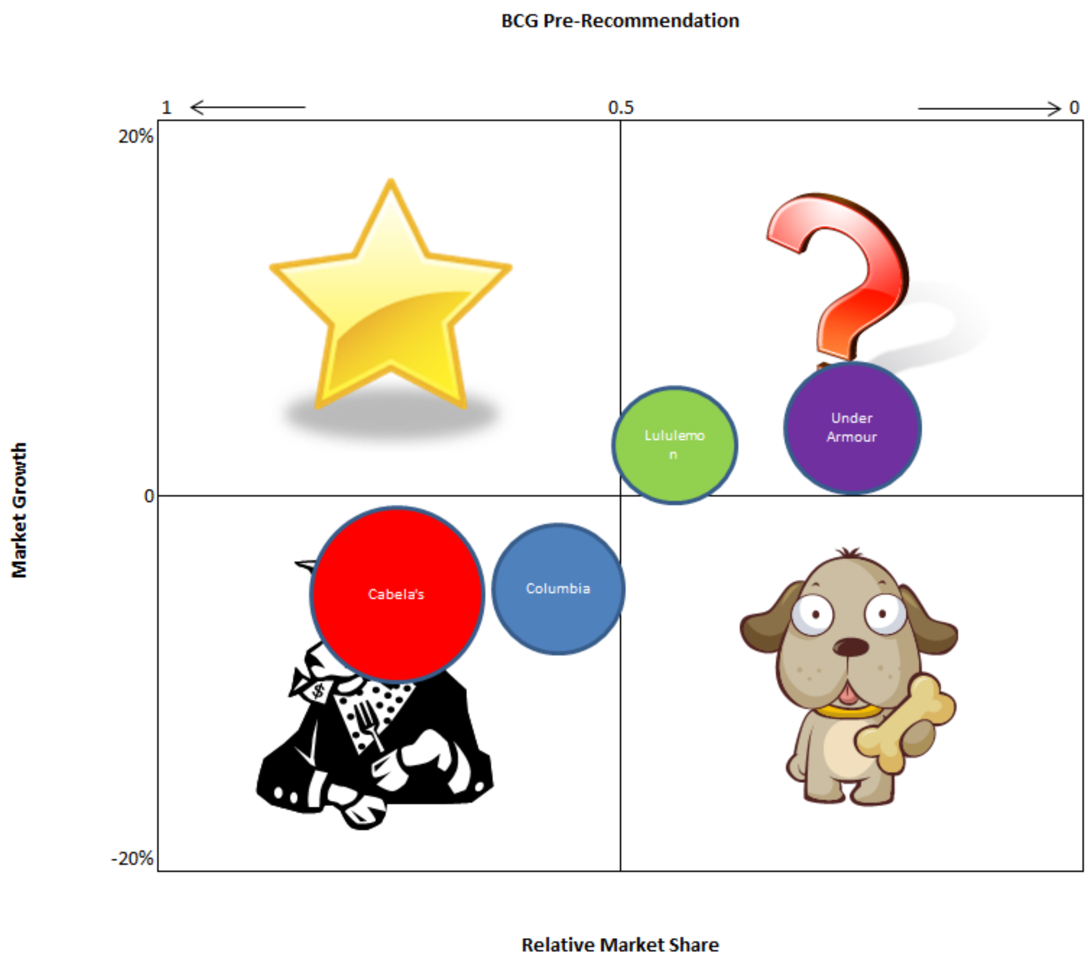
Industry Competitors IE Matrix Post-Recommendations

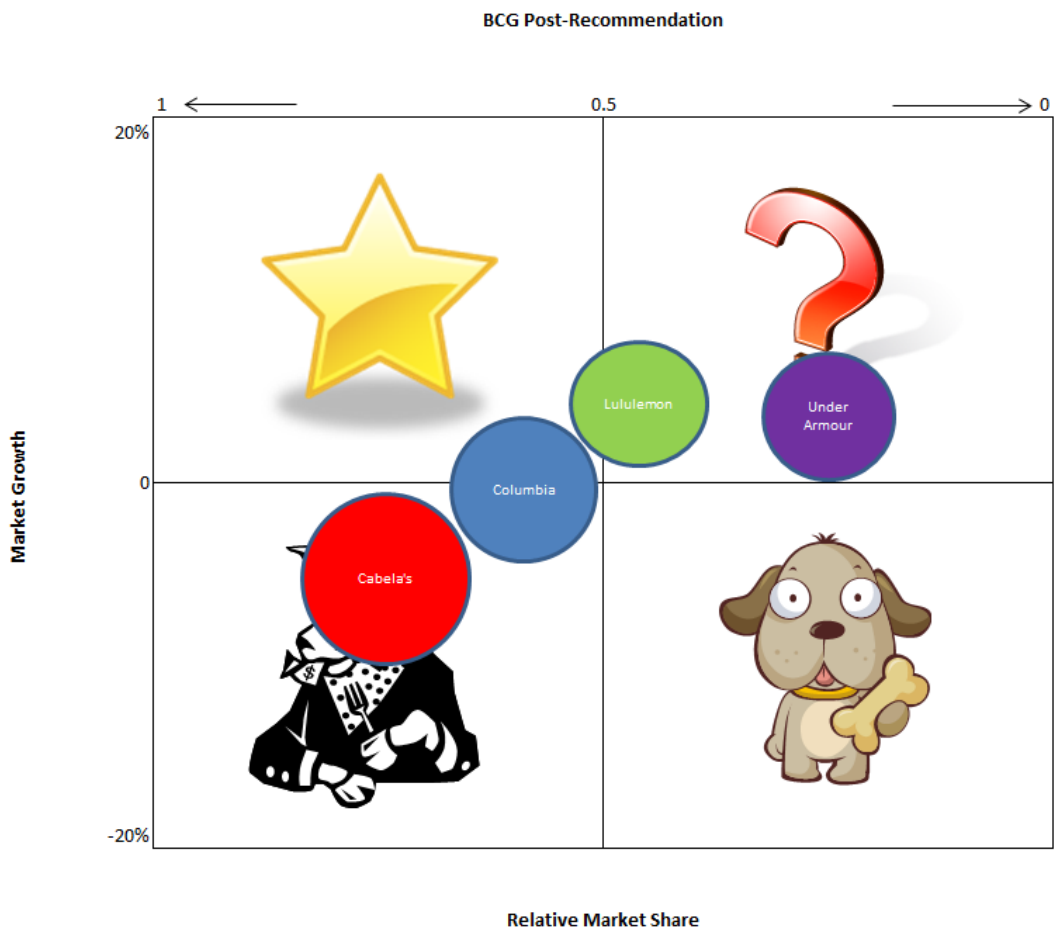
Company:	Columbia	Cabela's	Lululemon	Under Armour	Patagonia	Marmot
IFE:	2.99	2.41	3.08	2.95	2.97	3.1
EFE:	3.34	3.01	3.18	2.86	2.99	3.07



I, II, IV = Grow and Build
III, V, VII = Hold and Maintain
VI, VIII, IX = Harvest or Divest

Appendix I: BCG Matrix

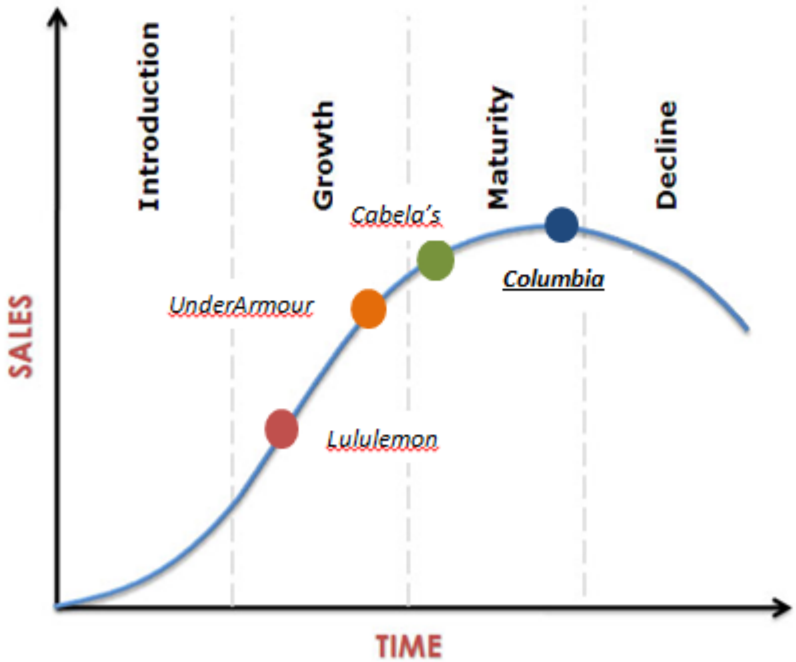




Assumptions:

- Lululemon will also grow due to this joint venture in market share, market growth, and revenues.
- Patagonia and Marmot are not displayed because they are private companies so we do not have access to their revenues.

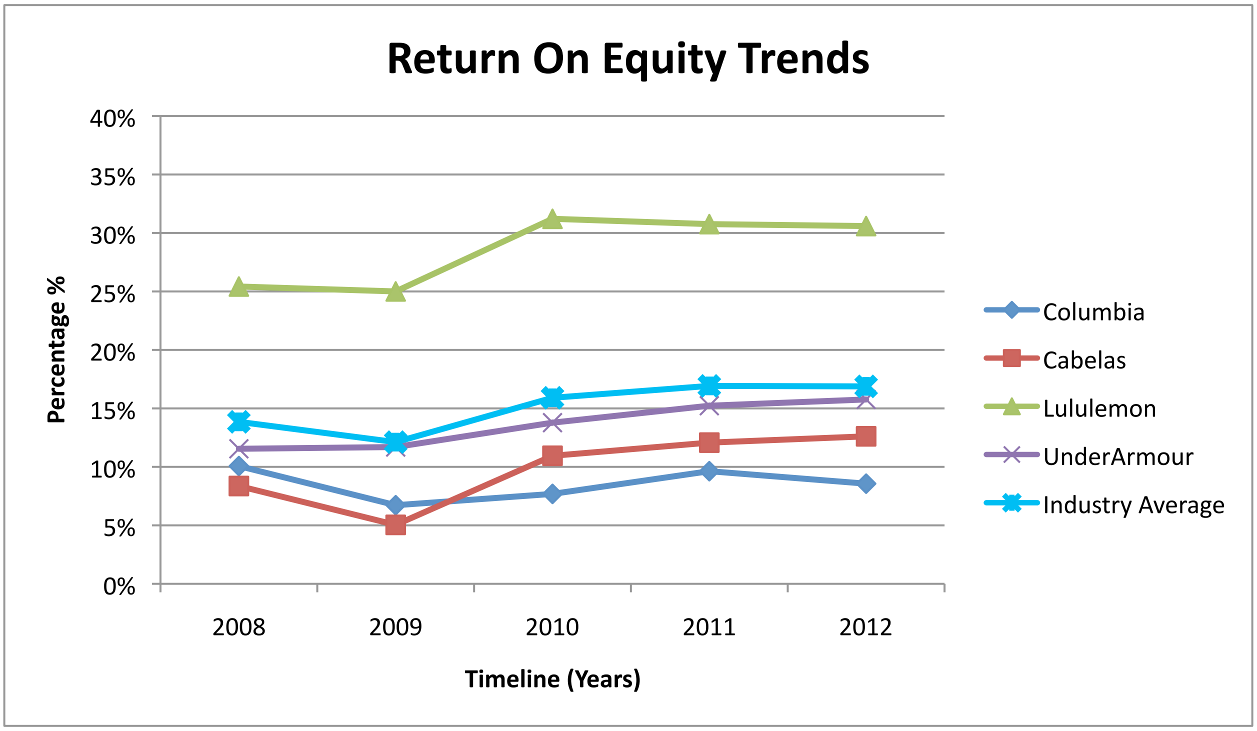
Appendix J: Life Cycles

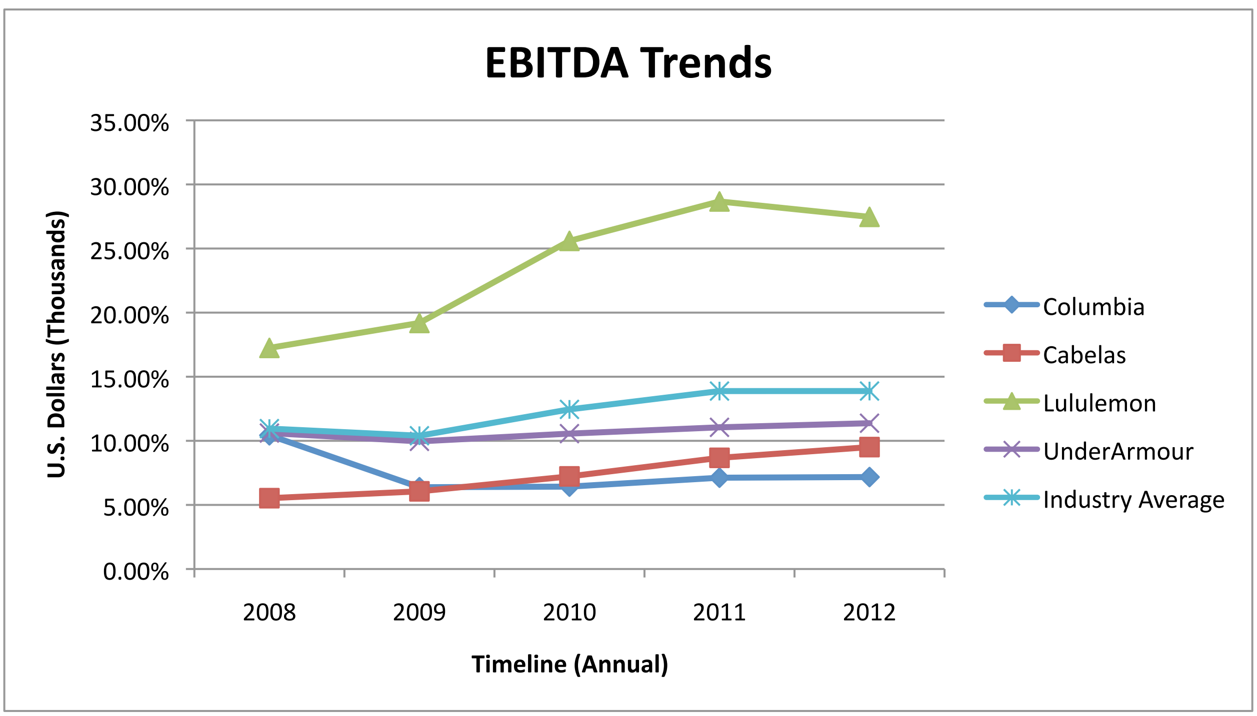


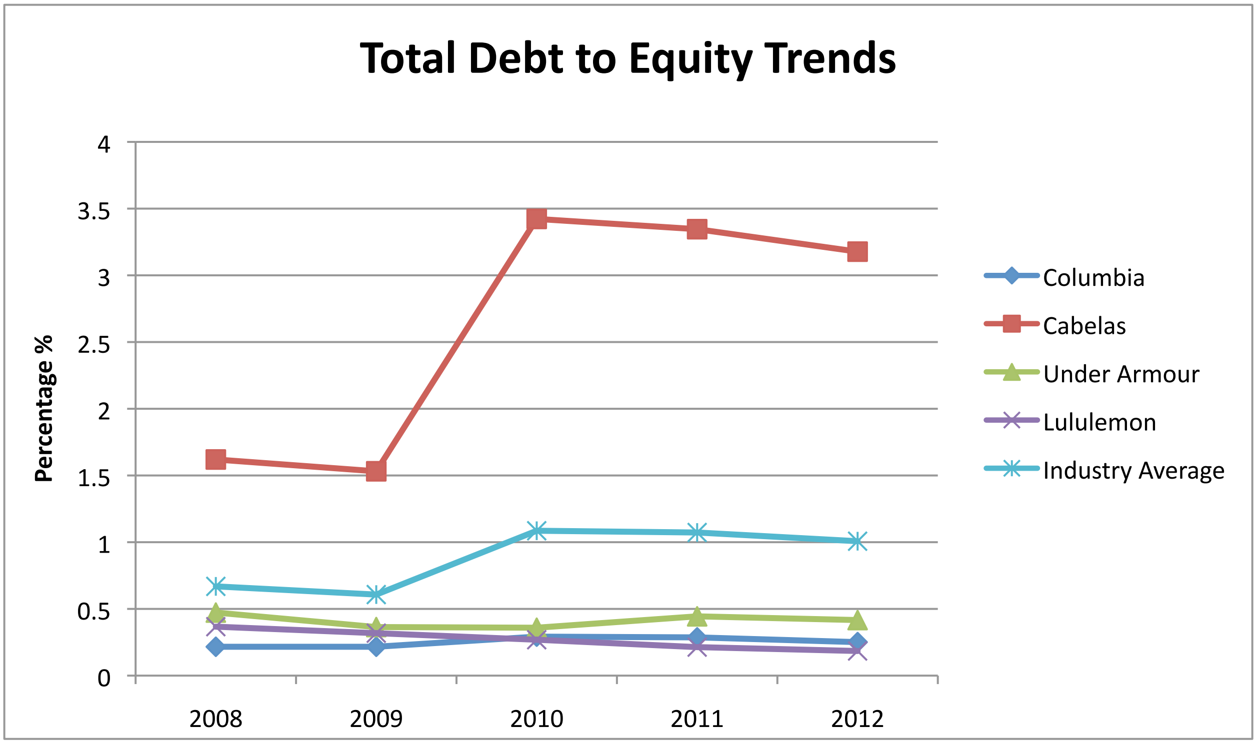
Appendix K: Edward Altman’s Z-Score

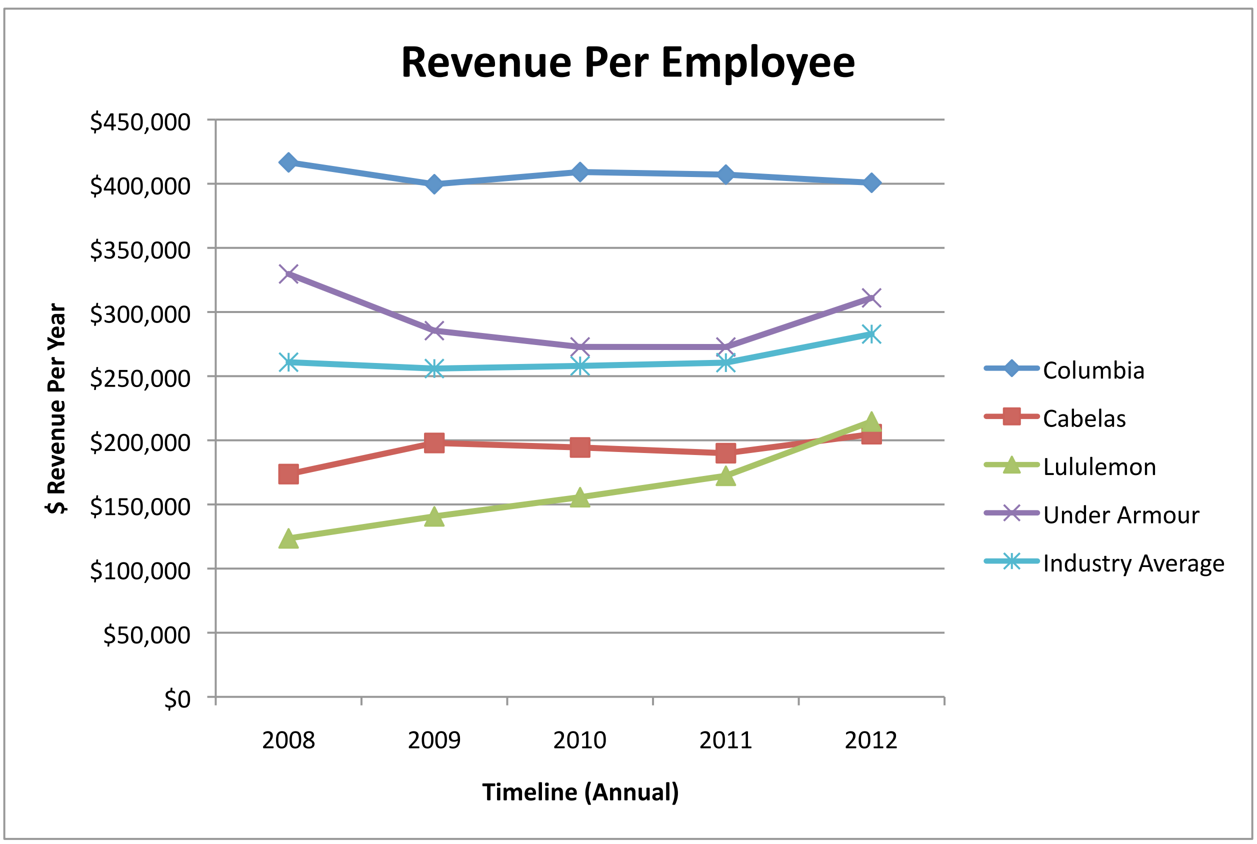
Edward Altman's Z-Score			Z-Score	
Input			Mean	
Working Capital	$	870,544,000	Standard Deviation	
Total Assets	$	1,458,842,000	Output	
Total Liability	$	292,675,000	x1	0.7161
Current Market Share Price	$	53.36	x2	1.0505
# of Shares Outstanding	$	34,075,000	x3	0.1784
Market Value of Equity	$	1,818,242,000	x4	3.7275
Sales	$	1,669,563,000	x5	1.1433
EBIT	$	78,867,000	Columbia's Z-Score	**6.8158**
Retained Earnings	$	1,094,690,000	Probability of Columbia's bankruptcy	

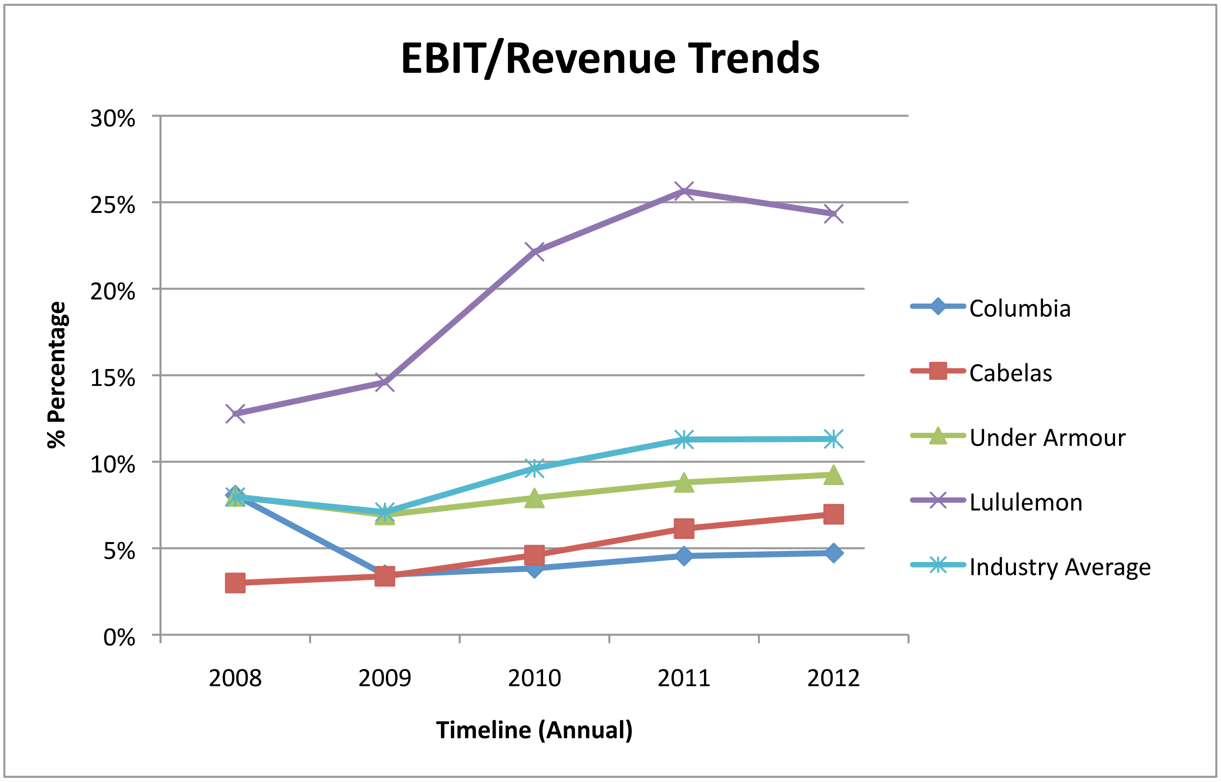
Appendix L: Financial Analysis Trends



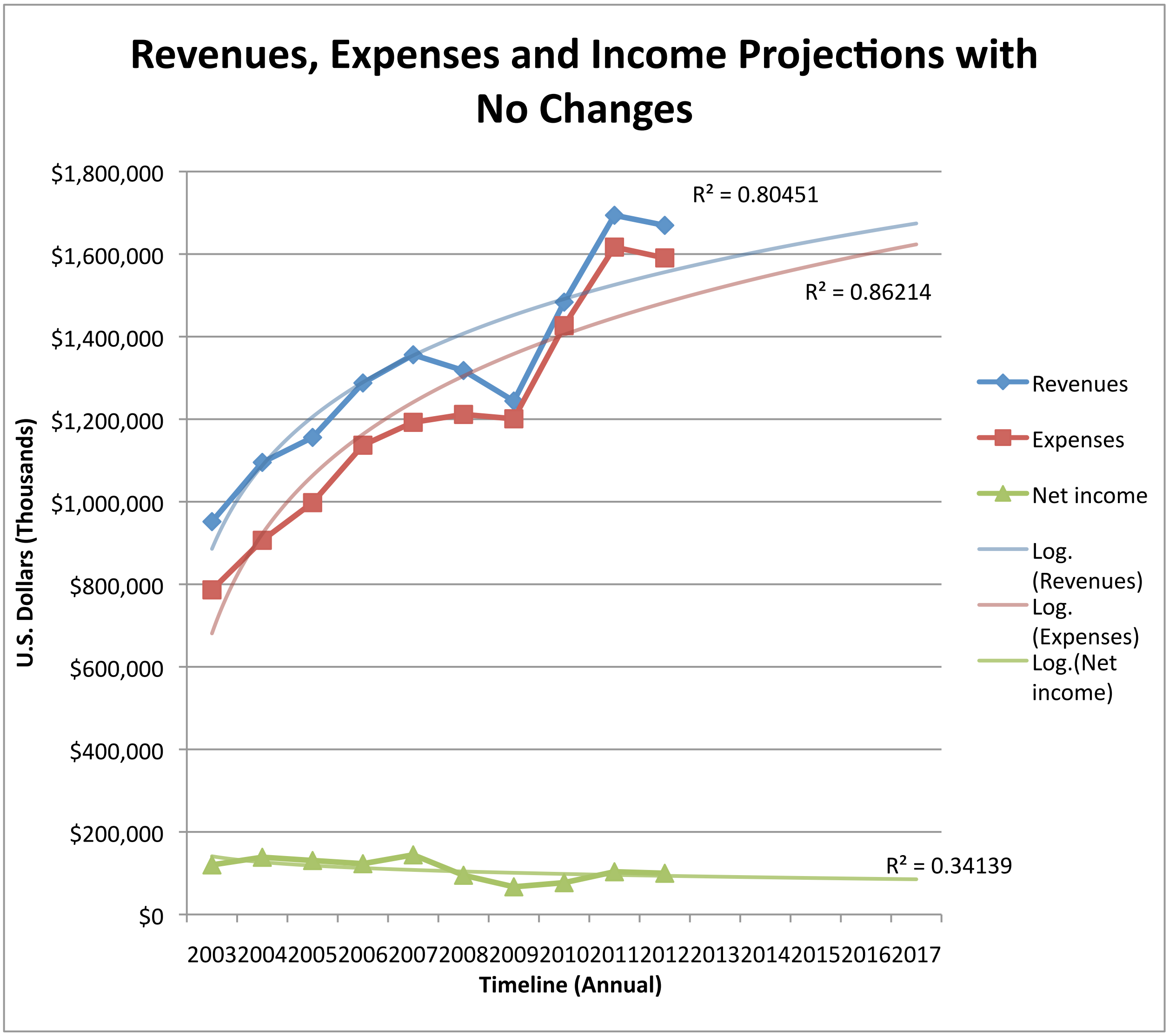


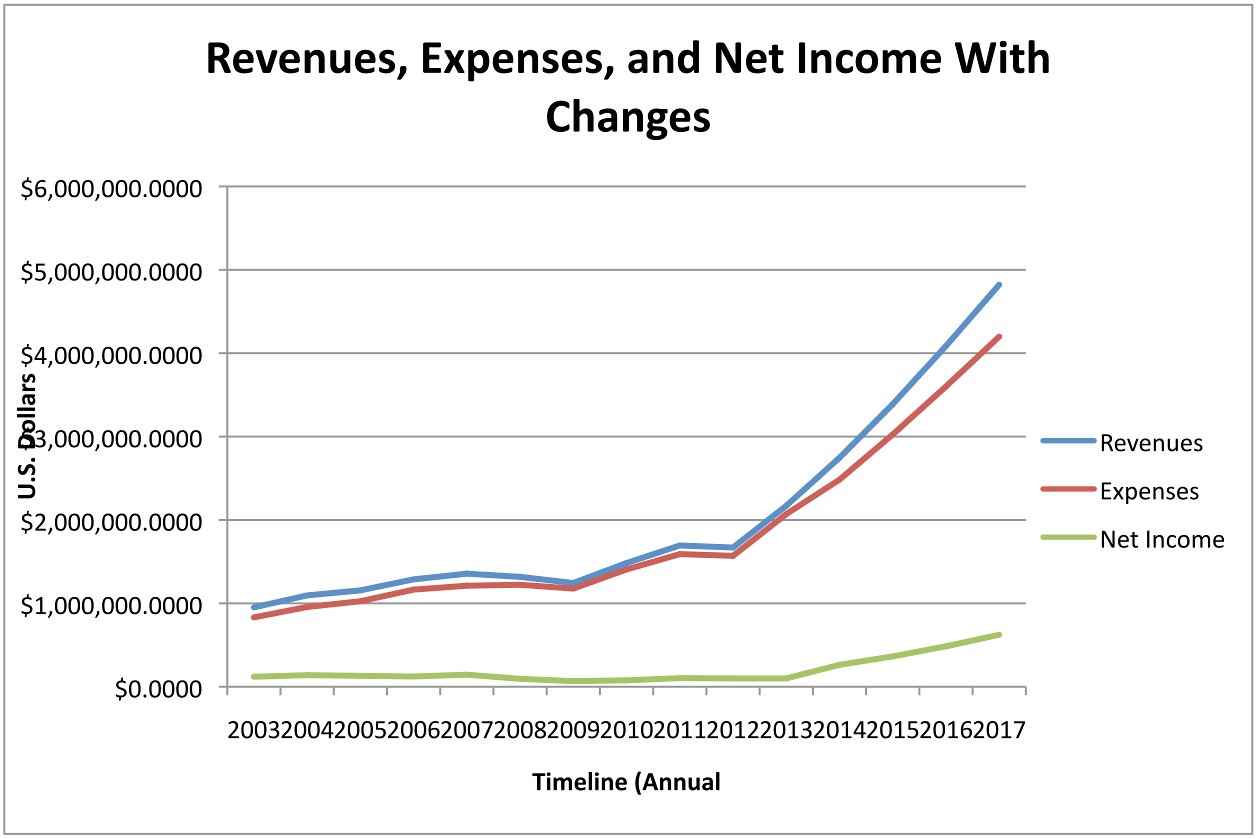

Total Debt to Equity Trends
Percentage %
4
3.5
3
2.5
2
1.5
1
0.5
0
2008
2009
2010
2011
2012
Columbia
Cabelas
Under Armour
Lululemon
Industry Average


Revenue Per Employee
$ Revenue Per Year
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
2008
2009
2010
2011
2012
Timeline (Annual)
Columbia
Cabelas
Lululemon
Under Armour
Industry Average


EBIT/Revenue Trends
30%
25%
20%
15%
10%
5%
0%
% Percentage
2008
2009
2010
2011
2012
Timeline (Annual)
Columbia
Cabelas
Under Armour
Lululemon
Industry Average

Appendix M: Revenue, Expenses, and Net Income Graph



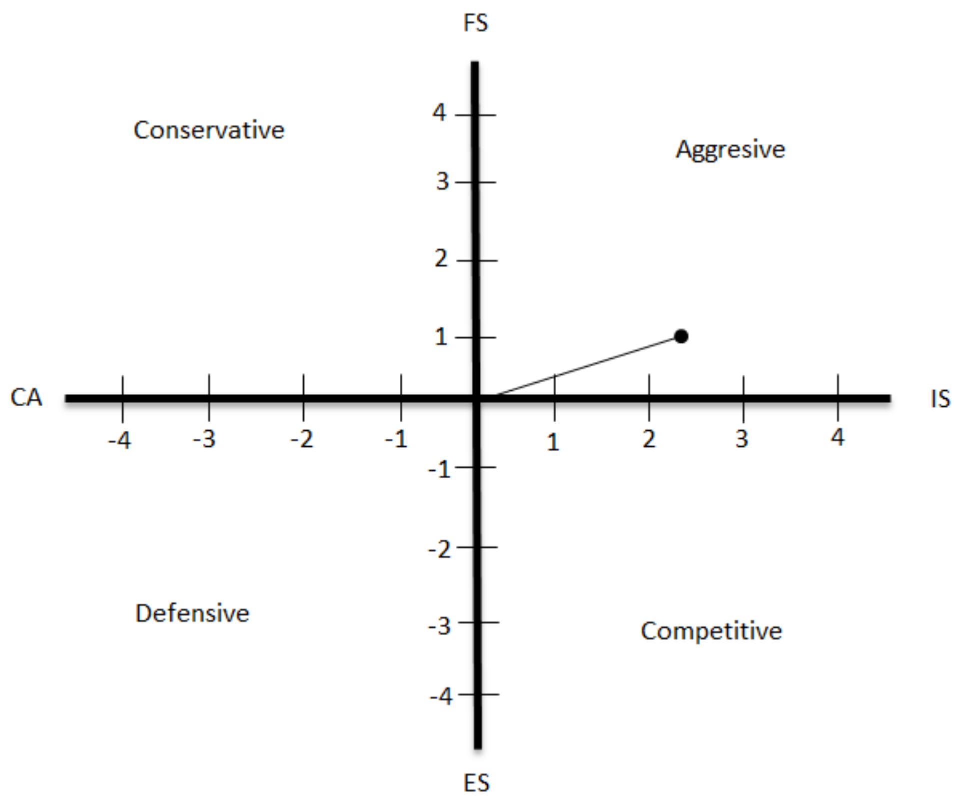

Revenues, Expenses, and Net Income With Changes
$6,000,000.0000
$5,000,000.0000
$4,000,000.0000
$3,000,000.0000
$2,000,000.0000
$1,000,000.0000
$0.0000
U.S. Dollars
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Timeline (Annual
Revenues
Expenses
Net Income

Appendix N: SPACE Matrix

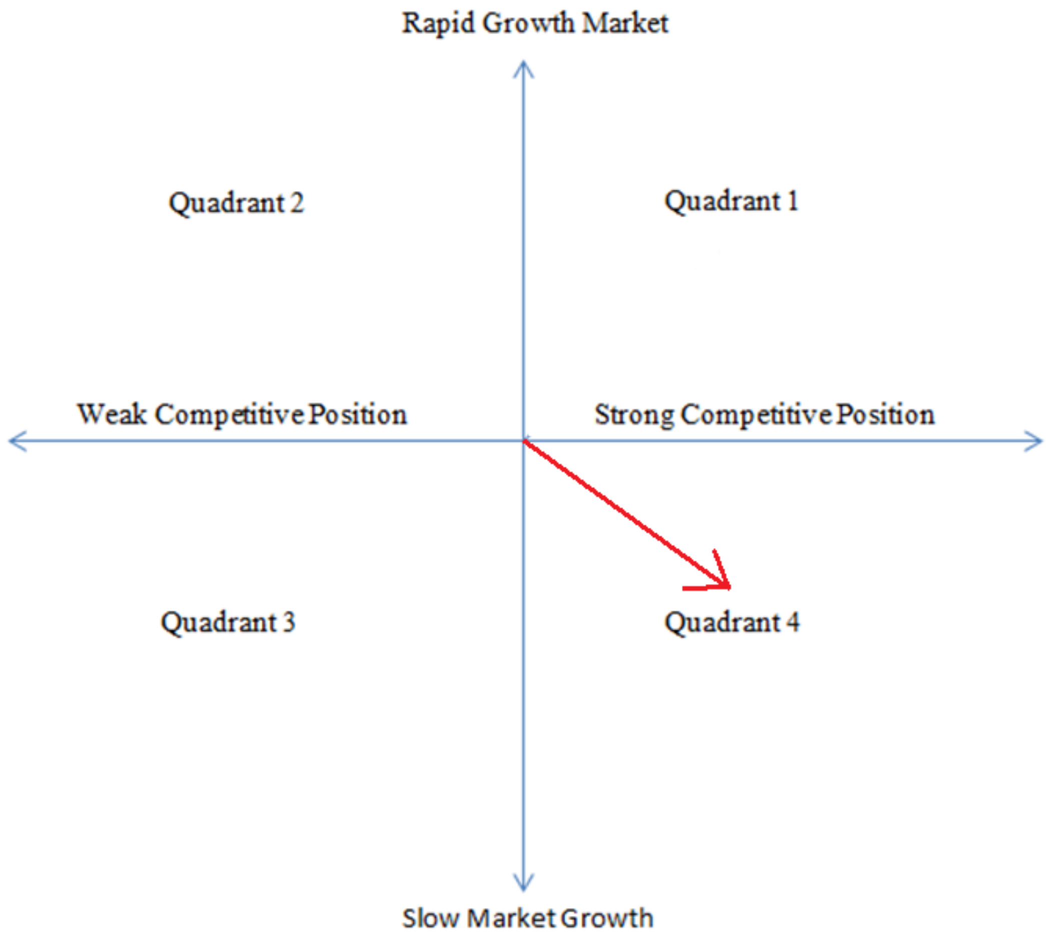
SPACE Matrix Table		
FINANCIAL STRENGTH	RATINGS	
Cash flow	3	
Retained Earnings	4	
Profitablity	2	Average
	9	3
INDUSTRY STRENGTH		
Potential for growth	5	
Productivity	4	
Potential for Profit	4	Average
	13	4.333333
ENVIRONMENTAL STABILITY		
Price of products	-4	
Competition	-2	
Latest technology	-3	Average
	-9	-3
COMPETITIVE ADVANTAGE		
Highly innovative products	-1	
Market Share	-3	
Control over supplier and distributors	-2	Average
	-6	-2

X =	2.333333
Y =	1

SPACE Matrix



Appendix O: Grand Strategy Matrix



Appendix P: QSPM

Quantitative Strategic Planning Matrix

		Columbia (Current State)		Joint-Venture Lululemon		Acquire Never S	
	Weight	Score	Weighted	Score	Weighted	Score	Wei
Key External Factors							
Economic Recession	0.2	6	1.2	8	1.6	7	[illegible]
Substitute Products	0.1	7	0.7	7	0.7	6	[illegible]
Strong Competition	0.1	8	0.8	9	0.9	8	[illegible]
Total	0.4		2.7		3.2		[illegible]
Key Internal Factors							
Brand Image	0.2	8	1.6	9	1.8	9	[illegible]
Market Share	0.15	7	1.05	9	1.35	8	[illegible]
Product Quality	0.1	7	0.7	8	0.8	9	[illegible]
Logistics	0.15	8	1.2	9	1.35	7	[illegible]
Total	0.6		4.55		5.3		[illegible]
	1		**7.25**		**8.5**		**[illegible]**

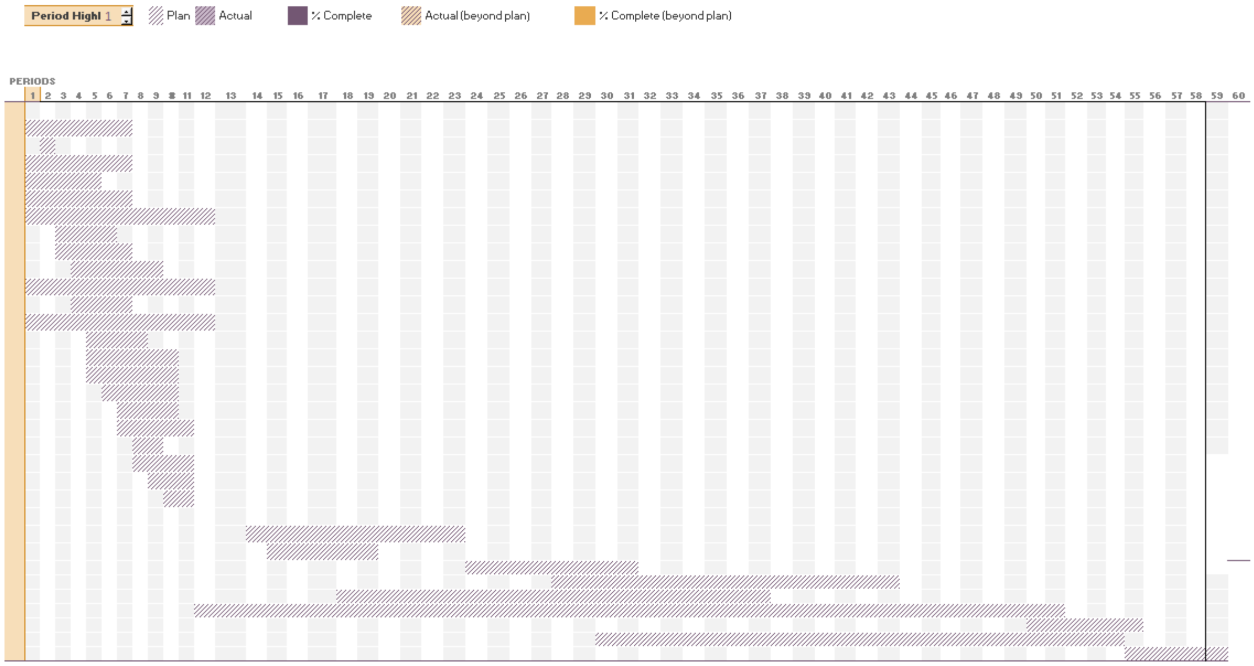
Appendix Q: Balanced Score Card

Balanced Score Card				
Area of Objective	**Target**	**Time of Expectation**		**Responsible Party**
Customers				
Target Market	Less Expensive Product Options	9/1/2016		CSO
Satisfaction	Omni-Heat Development	1/1/2018		CIO
Management/Employees				
Management	Develop C Level Positions	1/1/2015		CEO & Board
Employee Moral	Promote New Vision to Employees	5/15/2014		CHRO
Employee Additions	Hire Employees for Olympics	1/1/2014		CHRO
Management	Employee Evaluations	5/15/2014		CHRO
Management	Inform of Employee Incentives	5/15/2014		CHRO
Operations/Processes				
Decrease Operation Expenses	Find cheaper alternatives	6/1/2017		CIO
Research and Development	Innovation of Products	7/15/2018		COO
Community/Social Responsibility				
Sustainability	Green Incentive Program	6/1/2019		CEO
Brand Image	Donate coats to homeless	10/5/2014		COO
Financial				
Revenue	Cut Costs for higher revenue	3/20/2017		CFO
Increase Efficiency	Vertical Integration	6/10/2016		COO
Market Share	Find competitive advantage	1/1/2017		CFO

Appendix R: GANTT Chart

Recommendations

Recommendation	Start Date	PLAN DURATION	End Date	Person Responsible	Cost (in thousands)
Short Term Recommendations					
Utilize TV ads again, recently have focused on online ads and not tv ads	1	7	7	CMO	20,000
Get a celebrity endorsement: Bode Miller, Bear Grylls, Johnny Mosely, Heather McPhie, Brett Favre, Chris Sharma, Alex Honnold, Will Farr	2	1	2	CMO	11,500
"Best use of Columbia gear" social media challenge, send a picture of you using Columbia gear exactly what it's for in the best and most e:	1	7	7	CMO	850
Push products in Olympics and Olympic webpages: more than just freestyle Canada, Russia, and US ski	1	5	5	CMO	7,800
Develop ads for camp ware products that emphasize lifetime warranties and utilize OMNI tech technologies	1	7	7	CMO	8,500
Promotion of VP into C Level Positions	1	12	12	CMO	7,500
Officially sponsor a mountain resort	3	4	6	CMO	20,500
Advertise fishing gear through Men's health, golf magazines, and fishing channels	3	5	7	CMO	18,000
Increase Columbia's awareness in other markets	4	6	9	CMO	800
Offer Free Shipping on onlines purchases over $150	1	12	12	CMO	2,800
Focus more on building awareness of summer products.	4	4	9	CMO	4,000
Develop 3 core values that represent the companies vision for it's products: Innovation, Quality, Performance	1	12	12	CMO	500
Utilize Lululemon's operations model to increase EBIT/Revenue	5	4	8	CFO	3,000
Utilize joint venture with Lululemon to increase Canadian market share	5	6	10	CFO	13,000
Acquisition of *Never Summer* to increase snowboard market shareshare	5	6	10	CFO	58,000
Build more factories in US to increase reliability for inbound logistics	6	5	11	COO	40,000
Columbia line of energy bars for extreme weather sporting	7	4	11	COO	7,000
Make more "expressive" line for extreme sports marketed towards younger outdoor enthusiasts	7	5	12	CSO	8,000
Develop "Asian friendly" line, Asian market is a growing market in ski and snowboarding	8	2	10	CSO	7,500
Develop running gear, fabrics	8	4	12	CSO	7,000
Develop a service department for Columbia/Never Summer snowboards	9	3	12	CSO	4,450
Develop "weatherproof" cases for technology devices, phones, tablets, GPS, etc...	10	2	12	CSO	12,000
Long Term					
Advertise innovativeness, make a worldwide challenge that Columbia can develop a product to meet any and every demand out there	14	10	24	CMO	30,000
Develop campaign that embraces company culture, bicycles in warehouse, CEO's skiing etc.	15	5	16	CMO	13,500
Develop a market campaign embracing roots of company, in which the CEO fled from Nazi Germany and became incredibly successful.	24	8	31	CMO	12,000
Begin advertising for X-games and become an official X Games Sponsor	28	16	44	CMO	20,000
Reduce COGS/Sales back down to about 53% (levels Columbia was able to achieve in 2003)	18	20	38	COO	-65,000
Emphasize acquisition of *Never Summer* to increase snowboard market shareshare	12	40	53	CMO	28,000
Produce a line of Paddle boarding gear	50	6	56	CSO	22,000
Focus more on styling, quality has been emphasis and not styling	30	25	55	CSO	12,000
Columbia "Snuggy"	55	6	60	CSO	1,800
				Total	337,000


Period Highl 1
Plan
Actual
% Complete
Actual (beyond plan)
% Complete (beyond plan)
PERIODS
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60

Appendix S: EBIT and Net Worth Analysis

Table 1 – EBIT/EPS Chart

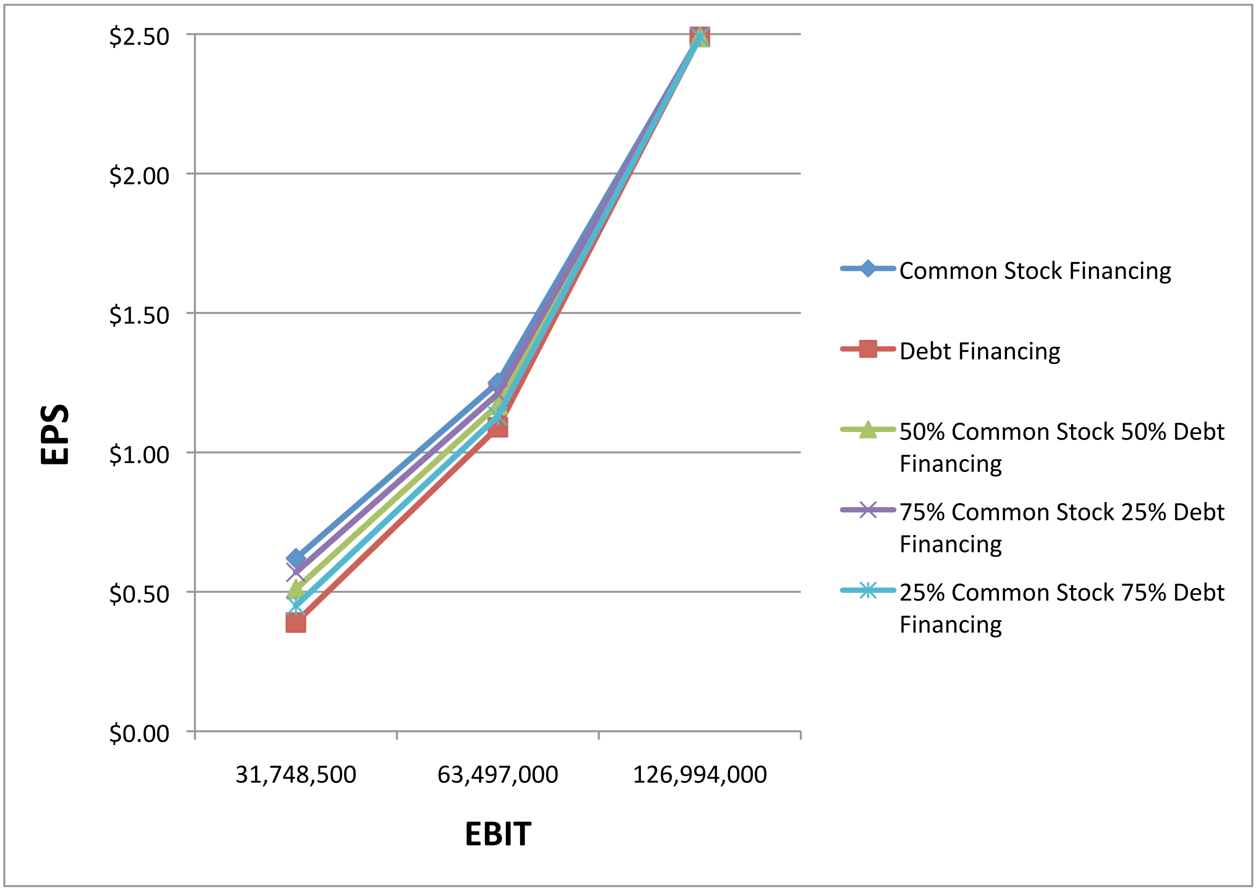


Table 2 – EBIT/EPS Analysis Data

Common Stock Financing			
	Recession	**Normal**	**Boom**
EBIT	$ 31,748,500	$ 63,497,000	$ 126,994,000
Interest	$ -	$ -	$ -
EBT	$ 31,748,500	$ 63,497,000	$ 126,994,000
Taxes	$ 7,886,327	$ 15,772,655	$ 31,545,310
EAT	$ 23,862,173	$ 47,724,345	$ 95,448,690
# of Shares	38,293,828	38,293,828	38,293,828
EPS	$ 0.62	$ 1.25	$ 2.49

Debt Financing			
	Recession	**Normal**	**Boom**
EBIT	$ 31,748,500	$ 63,497,000	$ 126,994,000
Interest	$ 14,154,000	$ 14,154,000	$ 14,154,000
EBT	$ 17,594,500	$ 49,343,000	$ 112,840,000
Taxes	$ 4,370,474	$ 12,256,801	$ 28,029,456
EAT	$ 13,224,026	$ 37,086,199	$ 84,810,544
# of Shares	34,075,000	34,075,000	34,075,000
EPS	$ 0.39	$ 1.09	$ 2.49

50% Common Stock 50% Debt Financing			
	Recession	**Normal**	**Boom**
EBIT	$ 31,748,500	$ 63,497,000	$ 126,994,000
Interest	$ 7,077,000	$ 7,077,000	$ 7,077,000
EBT	$ 24,671,500	$ 56,420,000	$ 119,917,000
Taxes	$ 6,128,401	$ 14,014,728	$ 29,787,383
EAT	$ 18,543,099	$ 42,405,272	$ 90,129,617
# of Shares	36,184,414	36,184,414	36,184,414
EPS	$ 0.51	$ 1.17	$ 2.49

75% Common Stock 25% Debt Financing			
	Recession	Normal	Boom
EBIT	$ 31,748,500	$ 63,497,000	$ 126,994,000
Interest	$ 3,538,500	$ 3,538,500	$ 3,538,500
EBT	$ 28,210,000	$ 59,958,500	$ 123,455,500
Taxes	$ 7,007,364	$ 14,893,691	$ 30,666,346
EAT	$ 21,202,636	$ 45,064,809	$ 92,789,154
# of Shares	37,239,121	37,239,121	37,239,121
EPS	$ 0.57	$ 1.21	$ 2.49

25% Common Stock 75% Debt Financing			
	Recession	Normal	Boom
EBIT	$ 31,748,500	$ 63,497,000	$ 126,994,000
Interest	$ 10,615,500	$ 10,615,500	$ 10,615,500
EBT	$ 21,133,000	$ 52,881,500	$ 116,378,500
Taxes	$ 5,249,437	$ 13,135,765	$ 28,908,419
EAT	$ 15,883,563	$ 39,745,735	$ 87,470,081
# of Shares	35,129,707	35,129,707	35,129,707
EPS	$ 0.45	$ 1.13	$ 2.49

Table – 3 Columbia Net Worth

Columbia Sportswear			
Stockholders' Equity			$ 1,166,167,000
Net Income			$ 99,859,000
Stock Price			$ 53.36
EPS			2.95
Shares Outstanding			34,075,000
Company Worth Analysis			
Stockholders' Equity			$ 1,166,167,000
Net Income x 5			$ 499,295,000
Share Price/EPS x NI			$ 1,806,263,132.20
# Shares x Share Price			$ 1,818,242,000
		Net Worth	$ 1,322,491,783.05

Never Summer Industries Valuation (Thousands)			
WACC		0.1	
ST Growth		0.3	
LT Growth		0.05	
CF Year 1	$	9,850	
CF Year 2	$	12,805	
CF Year 3	$	16,647	
CF Year 4	$	21,640	
CF Year 5 & Price	$	28,133	197,000
NET WORTH		***$58,028.71***	

Columbia Sportswear with Never Summer Acquisition/ Lululemon Joint Venture		
Stockholders' Equity		$ 1,516,017,100
Net Income		$ 129,816,700
Stock Price		$ 69.37
EPS		2.95
Shares Outstanding		34,075,000
Company Worth Analysis		
Stockholders' Equity		$ 1,516,017,100
Net Income x 5		$ 649,083,500
Share Price/EPS x NI		$ 3,052,584,693.42
# Shares x Share Price		$ 2,363,714,600
	Net Worth	$ 1,895,349,973.36

Appendix T: Pro-Forma Cash Flow and Income Statement

	Most Recent	Projected	Projected	Projected	Projected	Projected
Income Statement ($ Thousands)	2012	2013	2014	2015	2016	2017
Sales	$ 1,669,563	$ 2,170,432	$ 2,746,410	$3,389,191	$ 4,086,333	$ 4,822,054
Costs of goods sold (COGS)	953,169	1,150,329	1,455,597	1,796,271	2,165,756	2,555,689
Sales, general and administrative expense (SGA)	596,635	775,626	949,472	1,135,975	1,330,677	1,528,655
Depreciation	0	0	0	0	0	0
Operating profit	$ 119,759	$ 244,477	$ 341,341	$ 456,944	$ 589,899	$ 737,711
Interest expense	(379)	9	0	0	0	0
Interest income	0	581	0	0	0	0
Nonoperating income (Expense)	13,769	17,900	22,650	27,951	33,700	39,768
Earnings before taxes (EBT)	$ 133,907	$ 262,948	$ 363,991	$ 484,895	$ 623,600	$ 777,478
Tax expense	34,048	0	0	0	0	0
Net income before extraordinary items	$ 99,859	$ 262,948	$ 363,991	$ 484,895	$ 623,600	$ 777,478
After-tax extraordinary income (Expense)	0	0	0	0	0	0
Net income (NI)	$ 99,859	$ 262,948	$ 363,991	$ 484,895	$ 623,600	$ 777,478
Dividends-- preferred	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Dividends-- common	$ 1	$ 1	$ 1	$ 2	$ 2	$ 3
Additions to RE	$ 99,858	$ 262,947	$ 363,989	$ 484,894	$ 623,597	$ 777,476

Balance Sheets ($ Thousands)	Most Recent	Projected	Projected	Projected	Projected	Projected
Assets	2012	2013	2014	2015	2016	2017
Cash	$ 290,781	$ 715,015.30	$ 477,734	$ 588,109	$ 706,552	$ 829,898
Inventory	363,325	472,323	596,919	734,830	882,822	1,036,941
Accounts receivable	334,324	434,621	549,273	676,175	812,354	954,171
Other short-term operating assets	38,583	50,158	63,389	78,035	93,751	110,117
Short-term investments	44,661	0	0	0	0	31,752
Total current assets	$ 1,071,674	$ 1,672,117	$ 1,687,316	$ 2,077,149	$ 2,495,478	$ 2,962,880
Net plant, property, & equipment (PPE)	260,524	338,681	428,024	526,914	633,032	743,544
Other long-term operating assets	100,457	130,594	165,044	203,176	244,095	286,707
Long-term investments	0	0	0	0	0	0
Total Assets	$ 1,432,655	$ 2,141,392	$ 2,280,384	$ 2,807,238	$ 3,372,605	$ 3,993,132
Liabilities and Equity						
Accounts payable (AP)	$ 142,240	$ 184,912	$ 233,691	$ 287,682	$ 345,621	$ 405,958
Accruals	109,596	142,475	180,059	221,659	266,301	312,790
Other operating current liabilities	0	0	0	0	0	0
All short-term debt	156	462,260	182,240	178,518	113,792	164
Total current liabilities	$ 251,992	$ 789,647	$ 595,990	$ 687,860	$ 725,713	$ 718,912
Long-term debt	0	0	127,628	275,419	441,846	624,103
Deferred taxes	(37,417)	(48,642)	(61,474)	(75,676)	(90,917)	(106,789)
Preferred stock	0	0	0	0	0	0
Other long-term liabilities	27,171	35,322	44,640	54,954	66,021	77,547
Total liabilities	$ 241,746	$ 776,327	$ 706,784	$ 942,557	$ 1,142,663	$ 1,313,772
Par plus PIC Less treasury (and other adjustments)	(248,464)	(248,464)	(248,464)	(248,464)	(248,464)	(248,464)
Retained earnings (RE)	1,439,373	1,613,529	1,822,063	2,113,145	2,478,405	2,927,824
Total common equity	$ 1,190,909	$ 1,365,065	$ 1,573,599	$ 1,864,681	$ 2,229,941	$ 2,679,360
Total liabilities and equity	$ 1,432,655	$ 2,141,392	$ 2,280,384	$ 2,807,238	$ 3,372,605	$ 3,993,132

Statement of Cash Flows	**Most Recent**	***Projected***	***Projected***	***Projected***	***Projected***	***Projected***
Operating Activities	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***
Net income	$ 99,859	$ 262,948	$ 361,802	$ 472,391	$ 602,586	$ 753,081
Depreciation	0	0	0	0	0	0
Change in deferred tax	(3,028)	(11,225)	(12,908)	(14,406)	(15,624)	(16,488)
Change in inventory	1,874	(108,998)	(125,342)	(139,880)	(151,710)	(160,105)
Change in accounts receivable	17,214	(100,297)	(115,337)	(128,715)	(139,600)	(147,326)
Change in other short-term operating assets	(2,191)	(11,575)	(13,311)	(14,854)	(16,111)	(17,002)
Change in accounts payable	(6,733)	42,672	49,071	54,762	59,394	62,680
Change in accruals	(7,479)	32,879	37,809	42,194	45,763	48,295
Change in other current liabilities	0	0	0	0	0	0
Net cash from operating activities	$ 99,516	$ 106,405	$ 181,784	$ 271,493	$ 384,698	$ 523,135
Investing Activities						
Investment in PPE	$ (9,614)	$ (78,157)	$ (89,877)	$ (100,302)	$ (108,784)	$ (114,804)
Investment in other long-term oper. ass.	6,391	(30,137)	(34,656)	(38,676)	(41,947)	(44,268)
Net cash from investing activities	$ (3,223)	$ (108,294)	$ (124,534)	$ (138,978)	$ (150,731)	$ (159,072)
Financing Activities						
Change in short-term investments	$ (41,783)	$ 44,661	$ (227,947)	$ (358,467)	$ (477,851)	$ (623,813)
Change in long-term investments	0	0	0	0	0	0
Change in short-term debt	156	36,313	(36,198)	28	28	29
Change in long-term debt	0	0	297,839	327,416	353,930	375,889
Preferred dividends	0	0	0	0	0	0
Change in preferred stock	0	0	0	0	0	0
Change in other long-term liabilities	3,318	8,151	9,374	10,461	11,346	11,973
Change in common stock (Par + PIC)	(8,236)	337,000	0	0	0	0
Common dividends	(1)	(1)	(1)	(2)	(2)	(3)
Net cash from financing activities	$ (46,546)	$ 426,124	$ 43,066	$ (20,564)	$ (112,549)	$ (235,925)
Net cash flow	$ 49,747	$ 424,234	$ 100,316	$ 111,951	$ 121,418	$ 128,138
Starting cash	241,034	290,781	378,015	478,331	590,282	711,700
Ending cash	$ 290,781	$ 715,015	$ 478,331	$ 590,282	$ 711,700	$ 839,838

Income Statement ($ Thousands)	Most Recent 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Sales	$ 1,669,563	$ 2,170,432	$ 2,746,410	$ 3,389,191	$ 4,086,333	$ 4,822,054
Costs of goods sold (COGS)	953,169	1,150,329	1,455,597	1,796,271	2,165,756	2,555,689
Sales, general and administrative expense (SGA)	596,635	775,626	949,472	1,135,975	1,330,677	1,528,655
Depreciation	0	0	0	0	0	0
Operating profit	$ 119,759	$ 244,477	$ 341,341	$ 456,944	$ 589,899	$ 737,711
Interest expense	(379)	9	0	0	0	0
Interest income	0	581	0	0	0	0
Nonoperating income (Expense)	13,769	17,900	22,650	27,951	33,700	39,768
Earnings before taxes (EBT)	$ 133,907	$ 262,948	$ 363,991	$ 484,895	$ 623,600	$ 777,478
Tax expense	34,048	0	0	0	0	0
Net income before extraordinary items	$ 99,859	$ 262,948	$ 363,991	$ 484,895	$ 623,600	$ 777,478
After-tax extraordinary income (Expense)	0	0	0	0	0	0
Net income (NI)	$ 99,859	$ 262,948	$ 363,991	$ 484,895	$ 623,600	$ 777,478
Dividends-- preferred	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Dividends-- common	$ 1	$ 1	$ 1	$ 2	$ 2	$ 3
Additions to RE	$ 99,858	$ 262,947	$ 363,989	$ 484,894	$ 623,597	$ 777,476

Balance Sheets ($ Thousands)	Most Recent 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Assets						
Cash	290,781	$ 378,015	$ 478,331	$ 590,282	$ 711,700	$ 839,838
Inventory	363,325	472,323	597,665	737,545	889,255	1,049,360
Accounts receivable	334,324	434,621	549,959	678,673	818,273	965,599
Other short-term operating assets	38,583	50,158	63,469	78,323	94,434	111,436
Short-term investments	44,661	0	0	0	0	0
Total current assets	1,071,674	$ 1,335,117	$ 1,689,423	$2,084,823	$ 2,513,662	$ 2,966,232
Net plant, property, & equipment (PPE)	260,524	338,681	428,559	528,860	637,645	752,449
Other long-term operating assets	100,457	130,594	165,250	203,926	245,873	290,141
Long-term investments	0	0	0	0	0	0
Total Assets	1,432,655	$ 1,804,392	$ 2,283,232	$2,817,610	$ 3,397,179	$ 4,008,823
Liabilities and Equity						
Accounts payable (AP)	142,240	$ 184,912	$ 233,983	$ 288,745	$ 348,139	$ 410,819
Accruals	109,596	142,475	180,284	222,478	268,241	316,537
Other operating current liabilities	0	0	0	0	0	0
All short-term debt	156	0	0	0	0	0
Total current liabilities	251,992	$ 327,387	$ 414,267	$ 511,224	$ 616,380	$ 727,356
Long-term debt	0	0	0	0	0	0
Deferred taxes	(37,417)	(48,642)	(61,550)	(75,956)	(91,580)	(108,068)
Preferred stock	0	0	0	0	0	0
Other long-term liabilities	27,171	35,322	44,696	55,157	66,502	78,476
Total liabilities	241,746	$ 314,067	$ 397,412	$ 490,425	$ 591,303	$ 697,763
Par plus PIC Less treasury (and other adjustments)	(248,464)	(248,464)	(248,464)	(248,464)	(248,464)	(248,464)
Retained earnings (RE)	1,439,373	1,702,320	2,066,309	2,551,203	3,174,800	3,952,276
Total common equity	1,190,909	$ 1,453,856	$ 1,817,845	$2,302,739	$ 2,926,336	$ 3,703,812
Total liabilities and equity	1,432,655	$ 1,767,923	$ 2,215,258	$2,793,164	$ 3,517,639	$ 4,401,576

Statement of Cash Flows	Most Recent 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Operating Activities						
Net income	$ 99,859	$ 262,948	$ 361,802	$ 472,391	$ 602,586	$ 753,081
Depreciation	0	0	0	0	0	0
Change in deferred tax	(3,028)	(11,225)	(12,908)	(14,406)	(15,624)	(16,488)
Change in inventory	1,874	(108,998)	(125,342)	(139,880)	(151,710)	(160,105)
Change in accounts receivable	17,214	(100,297)	(115,337)	(128,715)	(139,600)	(147,326)
Change in other short-term operating assets	(2,191)	(11,575)	(13,311)	(14,854)	(16,111)	(17,002)
Change in accounts payable	(6,733)	42,672	49,071	54,762	59,394	62,680
Change in accruals	(7,479)	32,879	37,809	42,194	45,763	48,295
Change in other current liabilities	0	0	0	0	0	0
Net cash from operating activities	$ 99,516	$ 106,405	$ 181,784	$ 271,493	$ 384,698	$ 523,135
Investing Activities						
Investment in PPE	$ (9,614)	$ (78,157)	$ (89,877)	$ (100,302)	$ (108,784)	$ (114,804)
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Net cash from investing activities	$ (3,223)	$ (108,294)	$ (124,534)	$ (138,978)	$ (150,731)	$ (159,072)
Financing Activities						
Change in short-term investments	$ (41,783)	$ 44,661	$ (227,947)	$ (358,467)	$ (477,851)	$ (623,813)
Change in long-term investments	0	0	0	0	0	0
Change in short-term debt	156	36,313	(36,198)	28	28	29
Change in long-term debt	0	0	297,839	327,416	353,930	375,889
Preferred dividends	0	0	0	0	0	0
Change in preferred stock	0	0	0	0	0	0
Change in other long-term liabilities	3,318	8,151	9,374	10,461	11,346	11,973
Change in common stock (Par + PIC)	(8,236)	337,000	0	0	0	0
Common dividends	(1)	(1)	(1)	(2)	(2)	(3)
Net cash from financing activities	$ (46,546)	$ 426,124	$ 43,066	$ (20,564)	$ (112,549)	$ (235,925)
Net cash flow	$ 49,747	$ 424,234	$ 100,316	$ 111,951	$ 121,418	$ 128,138
Starting cash	241,034	290,781	378,015	478,331	590,282	711,700
Ending cash	$ 290,781	$ 715,015	$ 478,331	$ 590,282	$ 711,700	$ 839,838