

COLUMBIA SPORTSWEAR CO

Form 10-K

March 11, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 0-23939

COLUMBIA SPORTSWEAR COMPANY

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(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation or organization)
14375 NW Science Park Drive Portland, Oregon
(Address of principal executive offices)

93-0498284
(IRS Employer
Identification Number)
97229
(Zip Code)

(503) 985-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such short period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was \$540,147,000 based on the last reported sale price of the Company's Common Stock as reported by the NASDAQ Global Select Market System on that day.

The number of shares of Common Stock outstanding on February 25, 2011 was 33,827,350.

Part III is incorporated by reference from the registrant's proxy statement for its 2011 annual meeting of shareholders to be filed with the Commission within 120 days of December 31, 2010.

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COLUMBIA SPORTSWEAR COMPANY

DECEMBER 31, 2010

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PART I

Item 1. BUSINESS

General

Founded in 1938 in Portland, Oregon, as a small, family-owned, regional hat distributor and incorporated in 1961, Columbia Sportswear Company has grown to become a global leader in the design, sourcing, marketing and distribution of active outdoor apparel, footwear, accessories and equipment. Unless the context indicates otherwise, the terms we, us, our, the Company and Columbia refer to Columbia Sportswear Company and its consolidated subsidiaries.

We design, develop, market and distribute active outdoor apparel, footwear, accessories and equipment under four primary brands: Columbia®, Mountain Hardwear®, Sorel® and Montrail®. As one of the largest outdoor apparel and footwear companies in the world, our products have earned an international reputation for innovation, quality and performance. Our products feature innovative technologies and designs that protect outdoor enthusiasts from the elements, increase comfort and make outdoor activities more enjoyable. Our brands complement each other to address the diverse outdoor performance needs of a wide variety of outdoor consumer segments.

Our brands are distributed through a mix of wholesale distribution channels, independent distributors, our own direct-to-consumer channels (retail stores and e-commerce) and licensees. In 2010, our products were sold in over 100 countries. We employ creative marketing strategies designed to increase demand and reinforce consumer awareness of our brands. All of our products are manufactured by independent factories located outside the United States.

The popularity of outdoor activities, changing design trends and consumer adoption of innovative performance technologies affect consumer demand for our products. Therefore, we seek to influence, anticipate and respond to trends and shifts in consumer preferences by adjusting the mix of available product offerings, developing new products with innovative performance features and designs, and by creating persuasive and memorable marketing communications to drive consumer awareness and demand. Failure to anticipate or respond to consumer needs and preferences in a timely and adequate manner could have a material adverse effect on our sales and profitability.

Our business is subject to many risks and uncertainties that may have a material adverse effect on our financial condition, results of operations or cash flows. Some of these risks and uncertainties are described below under Item 1A, Risk Factors.

Seasonality and Variability of Business

Our business is affected by general seasonal trends common to the outdoor, apparel, footwear, accessories and equipment industries and is heavily dependent upon discretionary consumer spending patterns. Our products are designed to address performance needs of consumers who participate in diverse outdoor activities during the spring/summer and fall/winter seasons. Our annual net sales are weighted more heavily toward the fall/winter season, while our operating expenses are more equally distributed throughout the year. As a result, the majority of our operating profits are generated in the second half of the year. Sales and profits tend to be highest in the third calendar quarter. The expansion of our direct-to-consumer operations beginning in 2008 has increased the proportion of sales and profits that we generate in the fourth calendar

quarter.

Results of operations in any period should not be considered indicative of the results to be expected for any future period, particularly in light of persistent volatility in general economic conditions. Sales of our products are subject to substantial cyclical fluctuation, the effects of unseasonable weather conditions, and the continued popularity of outdoor activities as part of an active lifestyle in key markets. The current economic environment in

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key markets, coupled with challenging supply chain capacity constraints, has reduced the predictability of our business. In addition, our fourth quarter results are more variable because they rely more heavily on fall weather patterns which can stimulate wholesale customer reorders or, conversely, result in cancellations.

For further discussion regarding the effects of the macro-economic environment on our business, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Products

We provide high quality apparel, footwear, accessories and equipment for use in a wide range of outdoor activities by men, women and youth, designed to keep the consumer warm or cool, dry and protected. A large percentage of our products are also worn for casual or leisure purposes. The durability, functionality and affordability of our products make them ideal for a wide range of outdoor activities. Our products serve a broad range of consumers including elite mountain climbers, winter outdoor enthusiasts, hunting and fishing enthusiasts, top endurance trail runners, and outdoor-inspired consumers. We also market licensed collegiate apparel and accessories under our Columbia brand.

We develop and manage our merchandise in four principal categories: (1) outerwear, (2) sportswear, (3) footwear and (4) accessories and equipment. The following table presents the net sales and approximate percentages of net sales attributable to each of our principal product categories for each of the last three years ended December 31 (dollars in millions):

	2010		2009		2008	
	Net Sales	% of Sales	Net Sales	% of Sales	Net Sales	% of Sales
Outerwear	\$ 560.8	37.8%	\$ 482.5	38.8%	\$ 491.7	37.3%
Sportswear	555.8	37.5	472.5	38.0	540.9	41.0
Footwear	270.2	18.2	214.6	17.2	217.2	16.5
Accessories and equipment	96.7	6.5	74.4	6.0	68.0	5.2
Total	\$ 1,483.5	100.0%	\$ 1,244.0	100.0%	\$ 1,317.8	100.0%

Outerwear

We design, develop, market and distribute outerwear products for men, women and youth under our Columbia and Mountain Hardwear brands. Outerwear is our most established and iconic product category, and incorporates the cumulative design, fabrication, fit and construction technologies that we have pioneered over several decades and that we continue to innovate. Our outerwear is designed to protect the wearer from the harsher inclement weather commonly encountered in fall and winter outdoor activities, such as skiing, snowboarding, hiking, hunting, fishing and adventure travel.

Sportswear

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We design, develop, market and distribute sportswear products for men, women and youth under our Columbia and Mountain Hardwear brands. Our sportswear products incorporate various fabrication and construction technologies that protect consumers from the outdoor elements and enable consumers to enjoy the outdoors longer and in greater comfort year round. Our sportswear products are designed to be worn as a layering system with our outerwear and footwear products during fall and winter outdoor activities, or individually during milder weather commonly encountered during spring and summer outdoor activities such as hiking, fishing, trail running and water sports. Mountain Hardwear-branded sportswear consists primarily of performance apparel designed for mountaineering, backpacking, rock climbing and adventure sports. Our Columbia and Mountain Hardwear sportswear product assortments also include casual styles designed to appeal to a broader consumer base.

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Footwear

We design, develop, market and distribute footwear products for men and women under our Columbia, Sorel and Montrail brands and for youth under our Columbia and Sorel brands. Our footwear products seek to address the needs of outdoor consumers who participate in activities that typically involve challenging or unusual terrain in a variety of weather and trail conditions. Our footwear products include durable, lightweight hiking boots, trail running shoes, rugged cold weather boots for activities on snow and ice, sandals for use in amphibious activities, and casual shoes for everyday use. Our Sorel brand primarily offers premium cold weather footwear for men and women with an increasing focus on young, fashion-conscious female consumers.

Accessories and Equipment

We design, develop, market and distribute a line of Columbia-branded accessories and equipment, including bags, packs, headwear, scarves and gloves. These products incorporate many of our performance technologies and complement our apparel and footwear collections to protect consumers during a multitude of outdoor activities in virtually any climate. We also design, develop, market and distribute a line of Mountain Hardwear accessories and equipment that includes technically-advanced tents, sleeping systems, backpacks, headwear and gloves. These products are designed for mountaineering, ultralight backpacking and camping.

Product Design and Innovation

We believe our product innovation efforts are a key factor in our past and future success. We are committed to designing innovative and functional products for consumers who participate in a wide range of competitive and recreational outdoor activities, enabling them to enjoy those activities longer and in greater comfort by keeping them warm or cool, dry and protected. We also place significant value on product designs and fit (the overall appearance and image of our products) that, along with technical performance features, distinguish our products in the marketplace.

Our research and development efforts are led by an internal team of specialists who work closely with independent suppliers to develop products that provide the unique performance benefits needed by consumers during outdoor activities. We have established working relationships with specialists in the fields of chemistry, biochemistry, engineering, industrial design, materials research, graphic design, electronics and related fields. We utilize these relationships, along with consumer feedback, to develop and test innovative performance products, processes, packaging and displays. We believe that these efforts, coupled with our technical innovation efforts, represent key factors in the past and future success of our products.

In September 2010, we acquired OutDry Technologies S.r.l., which owns the intellectual property and other assets comprising the OutDry® brand and related business including patented and patent-pending construction methods that bond a waterproof, breathable membrane directly to the inside of the outermost layer of a shoe or glove.

Intellectual Property

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We own many trademarks, including Columbia Sportswear Company®, Columbia®, Sorel®, Mountain Hard Wear®, Montrail®, OutDry®, Pacific Trail®, the Columbia diamond shaped logo, the Mountain Hardwear nut logo and the Sorel polar bear logo, as well as many other trademarks relating to our brands, products, styles and technologies. We believe that our trademarks are an important factor in creating a market for our products, in identifying the Company, and in differentiating our products from competitors' products. We have design, process and utility patents as well as pending patent applications in the United States and other nations. We file applications for United States and foreign patents for inventions, designs and improvements that we believe have commercial value; however, these patents may or may not ultimately be issued. We believe our success primarily depends on our ability to continue offering innovative solutions to consumer needs through design, research,

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development and production advancements rather than our ability to secure patents. The technologies, processes and designs described in issued patents are incorporated into many of our most important products and expire at various times. We vigorously protect these proprietary rights against counterfeit reproductions and other infringing activities. Additionally, we license our Columbia trademarks across a range of apparel, footwear, accessories and equipment.

Sales and Distribution

We sell our products through a mix of wholesale distribution channels, independent distributors, our own direct-to-consumer channels and licensees. The majority of our sales are generated through wholesale channels which include small, independently operated specialty outdoor and sporting goods stores, regional, national and international sporting goods chains, and large regional, national and international department store chains. We sell our products to independent distributors in various countries where we generally do not have direct sales operations.

We sell our products directly to consumers through our own network of branded and outlet retail stores in each of our geographic segments, and online operations in the United States and LAAP segments, with additional e-commerce sites in other geographic markets planned for 2011. Our direct-to-consumer operations are designed to elevate consumer perception of our brands, increase consumer and retailer awareness of and demand for our products, model compelling retail environments for our products and build stronger emotional brand connections with consumers over time. Our branded retail stores allow us to showcase a broad selection of products and to support the brand's positioning with fixtures and imagery that may then be replicated and offered for use by our wholesale customers. These stores provide high visibility for our brands and products and help us to monitor the needs and preferences of consumers. In addition, we operate outlet stores, which serve an important role in our overall inventory management by allowing us to sell a significant portion of excess, discontinued and out-of-season products while maintaining the integrity of our brands. E-commerce sales are a small but growing portion of our total direct-to-consumer sales.

We operate in four geographic segments: (1) United States, (2) Latin America and Asia Pacific (LAAP), (3) Europe, Middle East and Africa (EMEA), and (4) Canada, which are reflective of our internal organization, management, and oversight structure. Each geographic segment operates predominantly in one industry: the design, development, marketing and distribution of active outdoor apparel, including outerwear, sportswear, footwear and accessories and equipment. The following table presents net sales to unrelated entities and approximate percentages of net sales by geographic segment for each of the last three years (dollars in millions):

	2010		2009		2008	
	Net Sales	% of Sales	Net Sales	% of Sales	Net Sales	% of Sales
United States	\$ 881.0	59.4%	\$ 736.9	59.2%	\$ 727.7	55.2%
LAAP	263.4	17.7	203.2	16.3	198.2	15.0
EMEA	222.4	15.0	197.4	15.9	267.2	20.3
Canada	116.7	7.9	106.5	8.6	124.7	9.5
Total	\$ 1,483.5	100.0%	\$ 1,244.0	100.0%	\$ 1,317.8	100.0%

United States

The United States accounted for 59.4% of our net sales for 2010. We sell our products in the United States to approximately 3,500 wholesale customers and through our own direct-to-consumer channels. As of December 31, 2010, we operated 41 outlet retail stores and 8 branded retail stores in various locations in the United States as well as three e-commerce websites, www.columbia.com, www.mountainhardwear.com and

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www.sorel.com. We plan to begin selling our Montrail products online in the United States in early 2011. In addition, we earn licensing income in the United States based on our licensees' sale of licensed products.

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We distribute the majority of our products sold to United States wholesale customers and our own retail stores from distribution centers that we own and operate in Portland, Oregon and Robards, Kentucky. In some instances, we arrange to have products shipped from the independent factories that manufacture our products through third party logistics vendors and/or directly to customer-designated facilities in the United States.

LAAP

The LAAP region accounted for 17.7% of our net sales for 2010. We sell our products in the LAAP region to approximately 270 wholesale customers in Japan and Korea and to approximately 14 independent distributors that sell to approximately 1,100 wholesale customers in locations throughout the LAAP region, including Australia, New Zealand, Latin America and Asia. In addition, as of December 31, 2010, we operated 40 branded retail stores and 13 outlet retail stores in Japan and Korea within our LAAP region. We also sell Columbia, Mountain Hardwear, Sorel and Montrail products through e-commerce websites in Japan and Korea. In addition, we earn licensing income in our LAAP region based on our distributors' sale of licensed products.

We distribute our products to wholesale customers, our own retail stores and licensed stores in Japan through an independent logistics company that owns and operates a warehouse located near Tokyo, Japan. We distribute our products to wholesale customers, our own retail stores and licensed stores in Korea from a leased warehouse near Seoul, Korea. The majority of sales to our LAAP distributors are shipped directly from the independent factories that manufacture our products.

EMEA

Sales in our EMEA region accounted for 15.0% of our net sales for 2010. We sell our products in the EMEA region to approximately 4,700 wholesale customers and to approximately 13 independent distributors that sell to approximately 800 wholesale customers in locations throughout the EMEA region, including Russia, portions of Europe, the Middle East and Africa. In addition, as of December 31, 2010, we operated 7 outlet retail stores and 3 branded retail stores in various locations in Western Europe.

We distribute the majority of our products sold to EMEA wholesale customers and our own retail stores from a distribution center that we own and operate in Cambrai, France. The majority of sales to our EMEA distributors are shipped directly from the independent factories that manufacture our products.

Canada

Sales in Canada accounted for 7.9% of our net sales for 2010. We sell our products in Canada to approximately 1,300 wholesale customers. In addition, as of December 31, 2010, we operated two outlet retail stores in Canada.

We distribute the majority of our products sold to Canadian wholesale customers through two distribution centers in Strathroy, Ontario. We lease one of these facilities and own the other facility. In some instances, we arrange to have products shipped directly from the independent

factories that manufacture our products to customer-designated facilities in Canada.

Marketing

We believe our brand names and trademarks provide a competitive advantage and help to differentiate our products in the marketplace. Marketing programs are an integral part of our global strategy to build brand equity, raise global brand relevance and awareness, infuse our brands with excitement and stimulate consumer demand for our products worldwide. During 2010, the cost of our marketing programs represented approximately 5.3% of net sales.

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Our integrated marketing efforts are designed to deliver consistent messages about the performance benefits, innovative technologies and styling of our products. We rely most heavily on advertising distributed through the Internet, including e-commerce and social media sites; television and print publications; consumer-focused and customer-focused events; branded retail stores in selected high-profile locations; enhanced branded displays and merchandising techniques executed in stores in partnership with various wholesale customers; and consumer and trade public relations efforts.

We work closely with our key wholesale customers to reinforce our brand message through cooperative online, television, radio and print advertising campaigns, as well as in stores using visual merchandising display tools dedicated exclusively to selling our merchandise on a year-round basis. We drive alignment through established seasonal initiatives and provide our wholesale customers, regional offices, and international distributors with creative direction and materials to convey consistent messages.

We employ a staff of in-store marketing and merchandising coordinators, who visit our customers' retail locations in major cities around the world to ensure that our products are favorably presented. We also reinforce our marketing and product innovation messages through selected sponsorships of key outdoor influencers, organizations and teams who serve as inspirational models of excellence to consumers and also through sponsorship of selected outdoor events and competitions.

Our global internet marketing sites are used by consumers to research our products' features and benefits, to interact with content created to inform and entertain about each brand and its technologies, to be directed to nearby retailers where they can purchase our products, and to directly purchase products for delivery in the United States. Other unaffiliated consumer websites provide information about our brands and products and may direct consumers to our wholesale customers where they can purchase our products.

Working Capital Utilization

We design, develop, market and distribute our products, but do not own or operate manufacturing facilities. As a result, most of our capital is invested in short-term working capital assets, including cash and cash equivalents, short-term investments, accounts receivable from customers, and finished goods inventory. At December 31, 2010, working capital assets accounted for approximately 77% of total assets. As a result, the degree to which we efficiently utilize our working capital assets can have a significant impact on our profitability, cash flows and return on invested capital. The overall goals of our working capital management efforts are to maintain the minimum level of inventory necessary to deliver goods on time to our customers to satisfy end consumer demand, and to minimize the cycle time from the purchase of inventory from our suppliers to the collection of accounts receivable balances from our customers.

Demand Planning and Inventory Management

As a branded consumer products company, inventory represents one of the largest and riskiest capital commitments in our business model. We design and develop our seasonal product lines 12 to 18 months in advance of their availability to consumers in retail stores. As a result, our ability to forecast and produce the individual product styles that match ultimate seasonal wholesale customer and end-consumer demand and to deliver products to our customers in a timely and cost-effective manner can significantly affect our sales, gross margins and profitability. For this reason, we maintain and continue to make substantial investments in information systems, processes and personnel that support our ongoing demand planning efforts. The goals of our demand planning efforts are to develop a collaborative forecast that drives the timely purchase of an adequate amount of inventory to satisfy demand, to minimize transportation and expediting costs necessary to deliver products to customers by their requested delivery dates, and to minimize excess inventory to avoid liquidating excess, end-of-season goods at discounted prices. Failure to achieve our demand planning goals could reduce our revenues and/or increase our costs, which would negatively impact our gross margins,

profitability and brand strength.

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In order to manage inventory risk, we use incentive discounts to encourage our wholesale customers and distributors to place advance orders at least six months in advance of scheduled delivery. We use those advance orders, together with forecasted demand from our direct-to-consumer operations, market trends, historical data, customer and sales feedback and other important factors to estimate the volumes of each product to purchase from our suppliers around the world. From the time of initial order through production, receipt and delivery, we attempt to manage our inventory to reduce risk.

Our inventory management efforts cannot entirely eliminate inventory risk due to the inherently unpredictable nature of consumer demand, the ability of customers to cancel their orders prior to shipment, and other variables that affect our customers' ability to take delivery of their advance orders when originally scheduled. To minimize our purchasing costs, the time necessary to fill customer orders and the risk of non-delivery, we place a significant amount of orders for our products with independent factories prior to receiving all of our customers' orders and we maintain an inventory of select products that we anticipate will be in greater demand. In addition, we build calculated amounts of inventory to support estimated at-once orders from customers and auto-replenishment orders on certain long-lived styles.

Credit and Collection

We extend credit to our customers based on an assessment of each customer's financial condition, generally without requiring collateral. To assist us in scheduling production with our suppliers and delivering seasonal products to our customers on time, we offer customers discounts for placing advance orders and extended payment terms for taking delivery before peak seasonal shipping periods. These extended payment terms increase our exposure to the risk of uncollectible receivables. In order to manage the inherent risks of customer receivables, we maintain and continue to invest in information systems, processes and personnel skilled in credit and collections. In some markets and with some customers we use credit insurance or standby letters of credit to minimize our risk of credit loss.

Sourcing and Manufacturing

We do not own or operate manufacturing facilities and virtually all of our products are manufactured to our specifications by independent factories located outside the United States. We generally do not maintain long-term manufacturing commitments. We believe that the use of independent factories enables us to substantially limit our capital expenditures and avoid the costs and risks associated with owning and operating large production facilities and managing large labor forces. We also believe that the use of independent factories greatly increases our production capacity, maximizes our flexibility and improves our product pricing. We manage our supply chain from a global perspective and adjust as needed to changes in the global production environment, including political risks, factory capacity, import limitations and costs, raw material costs, availability and cost of labor and transportation costs. However, without long-term or reserved commitments, there is no assurance that we will be able to secure adequate or timely production capacity or favorable pricing terms.

Our apparel is manufactured in more than 13 countries with Vietnam and China accounting for approximately 68% of our 2010 apparel production. Our footwear is manufactured in three countries, with China and Vietnam accounting for approximately 93% of our 2010 footwear production.

Our five largest apparel factory groups accounted for approximately 20% of 2010 global apparel production, with the largest factory group accounting for 7% of 2010 global apparel production. Our five largest footwear factory groups accounted for approximately 81% of 2010 global footwear production, with the largest factory group accounting for 34% of 2010 global footwear production. In addition, a single vendor supplies substantially all of the zippers used in our products. These apparel, footwear and zipper suppliers have multiple factory locations, thus reducing the risk that unfavorable conditions at a single factory or location will have a material adverse effect on our business.

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We maintain 13 manufacturing liaison offices in a total of seven Asian countries. We also maintain a manufacturing liaison office in Richmond, California. Personnel in these manufacturing liaison offices are direct employees of Columbia, and are responsible for overseeing production at our independent factories. We believe that having employees physically located in these regions enhances our ability to monitor factories for compliance with our policies, procedures and standards related to quality, delivery, pricing and labor practices. Our quality assurance process is designed to ensure that our products meet our quality standards. We believe that our quality assurance process is an important and effective means of maintaining the quality and reputation of our products. In addition, independent contractors that manufacture products for us are subject to our Standards of Manufacturing Practices (SMP). Columbia manufactures products around the world and values legal, ethical and fair treatment of people involved in manufacturing our products. Each factory producing products for us is monitored regularly against these standards. Additional information about SMP and corporate responsibility programs may be found at www.columbia.com.

Backlog

We typically receive the majority of our advance orders from our wholesale customers and independent distributors for the fall and spring seasons by March 31 and September 30, respectively, based upon customer ordering deadlines that we establish. As a result, our order backlog at each of March 31 and September 30 has historically been a meaningful indicator of anticipated sales to wholesale customers and independent distributors for the corresponding future period. Accordingly, we disclose our backlog at March 31 and at September 30 in our Quarterly Reports on Form 10-Q for those respective periods, rather than at December 31. Generally, orders are subject to cancellation prior to the date of shipment.

Advance orders for our owned retail stores and e-commerce websites are not included in backlog. Accordingly, to the extent that order cancellations from wholesale customers and independent distributors deviates from historical averages, and our retail and e-commerce sales grow to represent a larger proportion of our total sales, our advance order backlog may become less indicative of anticipated sales for corresponding future periods.

Competition

The markets for outerwear, sportswear, footwear, accessories and equipment are highly competitive. In each of our geographic markets, we face significant competition from numerous and varying competitors. Some of our large wholesale customers also market competitive apparel, footwear, accessories and equipment under their own private labels. Our licensees operate in very competitive markets, such as those for apparel, footwear, sunglasses and watches. In addition, our direct-to-consumer channels expose us to competitors who operate retail stores in outlet malls and key metropolitan markets, as well as competitors who sell product online. We believe that the primary competitive factors in the market for active outerwear, sportswear, footwear, accessories and equipment are brand strength, product innovation, product design, functionality, durability and price.

Government Regulation

Many of our international shipments are subject to existing or potential governmental tariff and non-tariff barriers to trade, such as import duties and potential safeguard measures that may limit the quantity of various types of goods that may be imported into the United States and other countries. These trade barriers often represent a material portion of the cost of the merchandise. Our products are also subject to domestic and foreign product safety and environmental standards, laws and other regulations, which are increasingly restrictive and complex. Although we diligently monitor these standards and restrictions, the United States or other countries may impose new or adjusted quotas, duties, safety requirements, material restrictions, or other restrictions or regulations, any of which could have a material adverse effect on our financial

condition, results of operations or cash flows.

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At December 31, 2010, we had the following full-time equivalent employees, based in the following regions:

United States	2,096
Asia	970
Europe	397
Canada	163
	3,626

Available Information

We file with the Securities and Exchange Commission (SEC) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, proxy statements and registration statements. You may read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically. We make available free of charge on or through our website at www.columbia.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we file these materials with the SEC.

Item 1A. RISK FACTORS

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, results of operations or cash flows may be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Our Success Depends on Our Business Strategies

Our business strategies are to achieve sustainable, profitable growth by creating innovative products, elevating consumer perception of our brands, increasing consumer and retailer awareness and demand for our products, creating compelling retail environments, and building stronger emotional brand connections with consumers over time. We intend to pursue these strategies across our portfolio of brands, product categories and geographic markets. We face many challenges in implementing our business strategies. For example, our focus on innovation depends on our ongoing ability to identify, develop or secure rights to product improvements or developments through internal research, joint developments, acquisitions or licenses. However, these innovations and developments may not be profitable or have the desired effect of increasing demand for our products. The failure to implement our business strategies successfully could have a material adverse effect on our financial condition, results of operations or cash flows.

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To implement our business strategies, we must continue to modify various aspects of our business, to maintain and enhance our information systems and operations to respond to increased demand and to attract, retain and manage qualified personnel. Changes in our business may place an increasing strain on management, financial, product design, marketing, distribution and other resources, and we may have operating difficulties as a result. For example, in support of our strategic initiatives, we are making significant investments in our business processes and information technology infrastructure that require significant management attention and corporate resources. In addition, we may need to adapt our information technology systems and business processes to

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integrate business acquisitions. These business initiatives involve many risks and uncertainties that, if not managed effectively, may have a material adverse effect on our financial condition, results of operations or cash flows.

Our business strategies and related increased expenditures could also cause our operating margin to decline if we are unable to offset our increased spending with increased sales or gross margins, or comparable reductions in other operating costs. If our sales or gross margins decline or fail to grow as planned and we fail to sufficiently leverage our operating expenses, our profitability will decline. This could result in a decision to delay, reduce, modify or terminate our strategic business initiatives, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We Depend on Independent Factories

Our products are produced by independent factories worldwide. We do not own or operate any production facilities. Although we enter into purchase order commitments with these independent factories each season, we generally do not maintain long-term manufacturing commitments with them. Without long-term or reserve commitments, in a capacity-constrained environment,