

THE EFFECT OF CHILD LABOR IN AFRICA ON CONSUMERS OF THE CELL
PHONE INDUSTRY

A Thesis

by

EMILY KATHRYN SMITH

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APPROVED BY:

Joseph Cazier
Chairperson, Thesis Committee

Jeremy B. Fox
Member, Thesis Committee

Jeremiah M. Kitunda
Member, Thesis Committee

Joseph A. Cazier
Program Director, Master of Business Administration Program

Edelma D. Huntly
Dean, Research and Graduate Studies

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FOREWORD

The research presented in this thesis will be submitted to *The Journal of Business Ethics*, a peer-reviewed journal published by Springer Science+Business Media. This thesis has been prepared according to journal submission style for publication.

ABSTRACT

THE EFFECT OF CHILD LABOR IN AFRICA ON CONSUMERS OF THE CELL

PHONE INDUSTRY. (August 2011)

Emily Kathryn Smith, B.A., Appalachian State University

M.B.A., Appalachian State University

Chairperson: Dr. Joseph Cazier, Ph.D.

The ethical integrity of companies is important to assess as companies face challenges that arise from different social and environmental responsibility issues. Child labor is one such issue that is currently impacting children in the Democratic Republic of Congo as they mine for coltan. This conflict mineral is used in many consumer electronics, which raises the issue of what consumers and companies are doing to take action against this issue. This study uses the issue of child labor to mine coltan for cell phones to assess the ethical impact on consumers of the cell phone industry. Consumer awareness leads to an assessment of revised social (and/or environmental) features (Auger, Burke, Devinney, & Louviere, 2003), which looks at the existence of price premiums and purchase intentions. The willingness-to-pay for social features leads to ethical consumerism, which positively reinforces the continued focus on corporate responsibility among businesses. Survey results analyzing the issue are used to show that consumers identify child labor as socially unjust and consumers are willing to pay more for phones that can be certified as child labor-free.

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The Effect of Child Labor in Africa on Consumers in the Cell Phone Industry

Introduction

Ethics continues to be an increasingly important topic in business, especially as consumers demand greater transparency and ethical integrity from the business world. As supply chains extend globally, companies are forced to pay more attention to the social responsibility factors within their businesses and address ethical issues that arise along the supply chain. As businesses look to cut costs and increase profits through expanded supply chains, environmental and social responsibility issues, such as child labor, may begin to emerge.

These ethical issues have brought about standards of conduct for companies as consumers tend to react negatively when an ethical line has been crossed. This study specifically examines how the issue of child labor in coltan mining impacts the purchasing behaviors of consumers in the cell phone industry. Additionally, this paper looks at the relationship between child labor, consumer awareness of the issue, and reactions of ethical consumerism and purchase intentions. The consumer assessment of purchase intentions is in response to the renewed accountability of cell phone companies offering revised social (and/or environmental) features for cell phones. Ethical marketing can be used by responsible companies to inform consumers about the new social features and their importance (Shum & Yam, 2011). These concepts are tested through the use of detailed surveys to assess how consumers compare child labor to other issues, the reflection on the company's image, and consumers' willingness to pay price premiums for ethical features.

For this study, the ethical dilemma of child labor in mining for coltan is the specific issue to be analyzed for its impact on consumer ethics within the cell phone industry.

Key Words: child labor, coltan, environmental features, ethical consumerism, ethical features, ethical marketing, price premiums, purchase intention, social features, willingness-to-pay

The Importance of Child Labor and the Consumer Response

Coltan (columbite-tantalite) is a valuable ore used in many electronics, including cell phones, computers, television screens, and gaming systems (Gosine, 2008). This ore (also known as a conflict mineral) has important ethical consequences because child labor is being used in the mining of coltan in the Democratic Republic of Congo (DRC). Although coltan is mined ethically in other countries, including Australia, Brazil, and Canada, eighty-percent of the world's coltan suppliers are from the DRC, which increases the severity of the issue (Smith, 2011). Children are being forced to work in dangerous, slave-like conditions run by rebels in the country's prevalent war and violence. The illegal trafficking of the ore causes illegally-mined coltan to get mixed in with legally-mined coltan, where it is all priced and made available to manufacturers across the globe (Molango, 2008/2009).

Consumer awareness of the DRC's child labor atrocities would likely cause consumers to evaluate how they are impacted by the issue when buying a cell phone. Previous studies that have assessed child labor in other industries show that ethical issues are important when looking at consumer behavior (Auger et al., 2003; Crane & Kazmi, 2010). Other research has shown that this is especially true when information is available about the issue (Valor, 2007). Thus, consumers are likely to be ethically impacted by coltan mining due to the importance of child labor as a social issue. The purpose of the survey research methods is to look at consumers' purchase intentions along with price premiums for ethical cell phone features to assess this child labor issue.

Additionally, issue awareness has the ability to impact the power of consumers to pressure cell phone companies to be more socially responsible. This has been seen previously in consumers' reactions to Nike's labor abuses, which included the use of child labor among other poor labor conditions (Winstanley, Clark, & Leeson, 2002; Jensen, 1998). In resisting instituting reform, the company lost consumers and its image and business suffered greatly. Therefore, if the research methods show that consumers are impacted by the issue, then cell phone companies need to be sure to institute ethical sourcing measures and develop revised social (and environmental) features for the cell phones that reflect ethical integrity. Ethical marketing can also be used by cell phone companies to communicate with and build relations with customers. Additionally, ethical marketing is an important tool to inform customers about the revised social features offered for cell phones (Shum & Yam, 2011).

Hypothesis Testing

Studies have shown that consumer awareness of social and environmental issues impacts purchase intentions and ethical consumerism (Auger et al., 2003; Schuler & Christmann, 2011). The effects of child labor exploitation will thus impact consumer behavior in the cell phone industry, especially with regards to purchasing. Ideally, this study seeks to evaluate how the social responsibility of companies in response to ethical infractions can promote ethical consumerism, with the use of revised social features for example. It is essential for the research study to look at the issue of child labor among similar social and environmental issues in order to assess its importance in the eyes of consumers. The assessment of importance is useful in determining how consumers will respond to the revised ethical feature, which leads us to our first hypothesis.

H1: *Consumers find child labor to be the most important issue when compared with other relevant social and environmental issues.*

Purchase intentions should also be evaluated to show the monetary value that consumers place on the revised ethical attributes of cell phones. Higher price premiums reflect a greater ethical integrity of products, but it is up to consumers to decide what additional cost value is an appropriate reflection of how features should be evaluated. Some features may be over or undervalued based on consumer perceptions of the worth of the new feature. These ideas are demonstrated through the second hypothesis.

H2: *Consumers who value ethical responsibility are willing to pay significantly more for a cell phone that was made without the use of child labor.*

In addition, just as consumers analyze their purchase intentions, cell phone companies must also be evaluated for the steps taken to eliminate the use of child labor in the production of cell phones. For example, finding means of production without child labor improves a company's ethical integrity. Therefore, the final hypothesis addresses the company's image as rated by consumers in light of ethical improvements. This hypothesis is a valuable way to measure the impact of image and ethical marketing on a company.

H3: *The cell phone company's image will be viewed more favorably by consumers in response to the removal of child labor to ethically produce cell phones.*

Each hypothesis is to be assessed individually through the survey research methods in the next section. The research gathered will explore how consumers view the topic of child labor in coltan mining as it is challenged by the ethical integrity of a more socially responsible cell phone company.

Research Design

To research the hypothesis, a survey was created asking consumers how they felt about ethical issues in relation to purchasing cell phones from a fictional cell phone company (See Appendix 1). The fictional company, SmartCell, was described in order to prevent bias that could result from familiarity with existing cell phone companies. The scenario utilizing the fictitious company, where the variable of study was hidden among other variables, serves to minimize the gap between consumer purchase intentions and actual buying behavior to minimize inaccuracies and bias (Carrington, Neville, & Whitwell, 2010).

SmartCell is described as being unique by including socially responsible features for its cell phones. The following five issues were described as features for the cell phones, including: green, child labor-free, manufactured locally, recyclable, and a social responsibility project. Unique stickers were created to mark cell phones for the inclusion of the different features, including child labor. This range of stickers would mark the boxes inside which the phones are sold; similarly to how conflict-free diamonds are marked (Grant & Taylor, 2004). The surveyed “consumers” are then asked to first rank the issues by importance against each other (1-5). Then they are asked to respond to the following questions:

- 1) To assess each issue exclusively on how important the feature is to them
- 2) Would they talk about this feature to their friends
- 3) How would the inclusion of the feature affect their image of the company

- 4) How much extra would they be willing to pay for the inclusion of the feature as a one-time payment

Survey participants would then use the given scales for assessments 1-3 to rate their responses. For the fourth evaluation parameter participants are asked for each feature how much extra between \$0 and \$20 that they would be willing to pay for the feature and then assign the cost. The independent variables are the five different social and environmental issues. The dependent variables are the consumer assessments of importance, desire to talk about, effect on company image, and extra cost in relation to the issue being analyzed. The comparison features were chosen because they represent current issues in business ethics that many people feel strongly about. The issues were framed in the context of how they represent ethical features on cell phones and were described in the survey as follows:

- **Green**: Manufacturing cell phones is a complicated process that can potentially pollute the environment. In the production of this cell phone, no harm came to the environment, including no deforestation or chemicals released into the air or earth.
- **Child Labor-Free**: Coltan, a mineral used in cell phones, is currently being mined by children workers in Africa. These children have unsafe working conditions and many are dying. The minerals used in the production of this cell phone did not use child labor and were mined safely.
- **Manufactured Locally**: Many phone companies outsource jobs and many cell phones are manufactured in foreign countries at a lower cost, sending American jobs overseas. This cell phone was manufactured and assembled in the United States, in turn helping to promote local jobs.

- **Recyclable**: Many cell phone batteries and parts cannot be recycled; therefore they are thrown away, causing environmental harm and waste containment issues. This cell phone is completely recyclable, including the battery, and all cell phones can be recycled at any SmartCell location.
- **Social Responsibility Project**: Our Company strives to give back to the community by supporting various philanthropies (community service projects). A portion of the funds from the sale of this cell phone go to supporting local philanthropies, such as Cancer research and standardizing working conditions.

In the end, the purpose of the survey is to identify what of these features are most important to include on a cell phone and relate this data to the underlying theories of ethical consumerism, purchase intentions, and ethical marketing.

Survey participants were selected at random, with no regard to any of their demographic features. The intention was to survey a wide range of people with the hope of gathering over 250 responses. The surveying was done on a college campus, in malls, and out in the general public to gather a wide variety of research. Participants were asked to take part in the survey without regard to demographics. To generate participation and interest, participants were offered the chance to put their email in a drawing to win a gift card to the cell phone company of their choice. Additionally, a demographics section was included to help reveal how different groups view the issues, especially since participants are anonymous and randomly selected. Demographic variables give additional measures for analysis.

Once all the surveying is complete, the survey data was compiled and analyzed for the importance of the issues, the effect on a company's image, and for how much the consumers would be willing to pay for an ethical product. These measures should ultimately

indicate the importance of ethical marketing for these issues. How child labor is assessed in the data collection should serve as an indication of how consumers would act if a company were to offer these features. Since no such company currently exists, the purchase behavior cannot be measured; therefore, the customer's purchase intention is the only basis for measure in the survey.

Results and Data Analysis

The study was conducted through a survey across a random sample of 250 respondents surveyed in varying public locations across North Carolina. A total of 150 respondents filled out surveys with data that was usable. The lack of usable data was primarily due to participants' failure to correctly follow the survey directions for at least one part of the survey. Thus, the demographic information presented in the table reflects only those respondents who filled out the entire survey correctly. Table I shows the important demographic variables from the survey respondents.

TABLE I
Demographic Information from Survey Respondents

Demographic Variable		Percent of Population Surveyed
1) Gender	Male	52%
	Female	48%
2) Age	Under 18	0%
	18-25	55.3%
	25-40	21.3%
	40-60	17.3%
	60+	6%
5) Annual Individual Income	\$0 - \$25,000	46%
	\$25,000 - \$50,000	28%
	\$50,000 - \$75,000	10%
	\$75,000 - \$100,000	8.7%
	\$100,000 +	7.3%

The table shows that an even distribution of gender took the survey; although, younger people and people with mid-level incomes captured a higher percentage of the respondents. Future studies can assess the impact of these demographic variables on the responses.

This study focuses on analyzing the ethical impact of child labor from coltan mining on cell phone users. The following hypotheses were used to draw conclusions about the child labor revised ethical feature and its relationship with ethical consumers:

H1: *Consumers find child labor to be the most important issue when compared with other relevant social and environmental issues.*






H2: *Consumers who value ethical responsibility are willing to pay significantly more for a cell phone that was made without the use of child labor.*

H3: *The cell phone company's image will be viewed more favorably by consumers in response to the removal of child labor to ethically produce cell phones.*

Table II shows the means (M) and standard deviations (SD) for each ethical cell phone feature and their relationship with the four analysis questions. This table provides a good overview of how survey participants responded to the survey.

TABLE II

Descriptive Statistics Measuring Mean and Standard Deviation

Features	Sticker	Assess Importance (1-5)		Talk About Feature (1-5)?		Affect Company Image (1-5)?		Would Pay How Much Extra (\$)?	
		M	SD	M	SD	M	SD	M	SD
Mean / Standard Deviation									
Green		3.93	1.03	3.41	1.07	4.08	0.99	\$8.53	6.18
Child Labor-Free		4.39	0.91	3.61	1.17	4.38	0.86	\$11.40	7.36
Manufactured Locally		3.80	1.22	3.44	1.28	4.04	1.09	\$8.98	7.14
Recyclable		3.95	1.02	3.31	1.15	3.99	0.90	\$7.53	6.41
Social Responsibility Project		3.71	1.01	3.09	1.18	3.89	0.95	\$6.89	6.27

To provide a valid statistical analysis of the data, the ANOVA Single-Factor data analysis was used to provide answers to the three hypothesis questions. This is a valid testing measure for the data sample because it provides a comprehensive view of each feature and looks at the relationship between the feature groups. The data analysis was run on the three feature assessments that relate to the three hypotheses. The results of these analyses are shown with the following assessments of each hypothesis.

The first hypothesis looked at the perceived importance of the child labor topic as compared to other social and environmental issues. Looking at the Mean values across all five features for the importance assessment, it can be concluded that the Child Labor-Free feature has the highest mean value with the lowest standard deviation, reflecting consistent responses. These numbers reflect that Hypothesis 1 is true, where Child Labor-Free is the most important ethical issue as compared to four other ethical and environmental issues.

The second hypothesis assessed consumers' willingness to pay a higher premium price for a cell phone that was not made with child labor. Table II's last assessment question can be used to evaluate, on average, how much more consumers are willing to spend for the inclusion of the different ethical features, specifically the Child Labor-Free feature. Child Labor clearly shows a significantly larger price premium than the other features. Thus, not only does the value confirm that Hypothesis 2 is correct; it also shows that consumers are willing to pay significantly higher dollar amount for the inclusion of this feature than they would be for any other ethical feature.

Hypothesis three's assessment of the favorable perceived value of the Child Labor-Free ethical feature is found to be true as evidenced by the highest mean variable, which shows the greatest positive effect on the company's image. The highest marks across all

question categories for the Child Labor-Free revised social feature show that all three hypotheses are supported and when compared to other ethical features, Child Labor is considered the most important according to the respondents from the randomly selected survey participants.

These results of the survey are further supported by a similar experiment's findings published in the *Journal of Business Ethics* which states that "Child labor is clearly the most important ethical feature in purchase/consideration probabilities, dominating a majority of functional features" (Auger et al., 2003, p. 291). Although the method and results of the experiment were different for the other study than those used in this paper, both studies yielded similar findings across different populations.

Discussions and Practical Implications

The analysis of the survey data showed that consumers do care about the issue of child labor in the mining of coltan for the cell phone industry. Thus, the concept of ethical consumerism is supported, as evidenced by consumers' willingness to pay higher price premiums to support ethical features on cell phones. With the high level of consumer support of social responsibility efforts, cell phone companies should take action to incorporate other ethical measures beyond product features, such as ethical sourcing of coltan, into an ethical marketing platform (Shum & Yam, 2011). The ethical consumerism that resulted from the high valuation of Child Labor-Free should serve as a platform for companies to expand corporate social responsibility efforts. Ethical marketing can augment the increased ethical integrity of a company by providing a way to inform consumers about company efforts and build relationships with these consumers on shared social and environmental ethical values.

Limitations and Future Recommendations

Limitations of Study. Several limitations became evident through the course of this study. First, the population sample surveyed was too small, which accounted for greater problems when surveys were filled out inaccurately. If the same study is conducted again, a larger target population is recommended to leave room for inaccuracies. This study also only looked at a narrow set of ethical issues, which restricted the diversity of consumer responses. It is important to note that this study was the first to assess the atrocities of child labor in the

DRC and relate the ethical issue to its impact on companies and consumers within the cell phone industry. Therefore, information was difficult to find and put together at times.

Future Recommendations. The strongest future recommendation would be to take this study, since it was the first to cover this research area, and analyze the many areas in which the study can be broken down and further researched and elaborated. In the future, the study could benefit from a larger population sample for the survey and more variables for assessment, along with the use of control variables to increase the validity of the study. Adding the impact of actual purchase behavior beyond just purchase intentions for ethical situations would add a new aspect to the study that may prove to be an even stronger indication of consumer behaviors.

Conclusions

The impact of child labor on the purchasing behavior of cell phone consumers demonstrates the complexity in relationships across the global business environment. Consumers demonstrated the importance of ethical issues in pricing and purchasing which reinforces the impact of ethical consumerism. Companies can impact social and environmental issues, such as child labor mining for coltan, by offering ethical product features and becoming responsible for ethical sourcing to promote ethical integrity across all business partnerships. This allows stakeholders to make more informed business decisions and increase the use of social corporate responsibility.

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Appendix 1 – Condensed Cell Phone Company Survey

Survey Details

Thank you for taking the time to participate in this survey. The purpose of this survey is to assess how environmental and ethical issues affect our purchases. This survey is completely anonymous and you will not be linked to your responses in any way. For your participation, you will be entered in a drawing by email address only to win a gift card worth \$50 to your cell phone provider. Please use the separate paper provided to submit your email address.

Company Background

SmartCell is a new cell phone company that is making cell phones. We are a successful publicly traded company with a focus on being environmentally and socially responsible. All SmartCell cell phones are technologically sophisticated and have the standard cell phone features including internet capabilities, messaging, camera, and numerous applications, among other features. As a company, we are interested in making cell phones that are different from competitors by including unique features on our phones. The base price for a new cell phone is \$100 and adding features will increase this price.

The following features will be considered for our phones:

- **Green**: Manufacturing cell phones is a complicated process that can potentially pollute the environment. In the production of this cell phone, no harm came to the environment, including no deforestation or chemicals released into the air or earth.
- **Child Labor-Free**: Coltan, a mineral used in cell phones, is currently being mined by children workers in Africa. These children have unsafe working conditions and many are dying. The minerals used in the production of this cell phone did not use child labor and were mined safely.
- **Manufactured Locally**: Many phone companies outsource jobs and many cell phones are manufactured in foreign countries at a lower cost, sending American jobs overseas. This cell phone was manufactured and assembled in the United States, in turn helping to promote local jobs.
- **Recyclable**: Many cell phone batteries and parts cannot be recycled; therefore they are thrown away, causing environmental harm and waste containment issues. This cell phone is completely recyclable, including the battery, and all cell phones can be recycled at any SmartCell location.
- **Social Responsibility Project**: Our Company strives to give back to the community by supporting various philanthropies (community service projects). A portion of the funds from the sale of this cell phone go to supporting local philanthropies, such as Cancer research and standardizing working conditions.

Ranking

Please rank the above issues in order of importance from 1-5 (**1-Very Important, 5-Not Important**):






- _____ **Green**
- _____ **Child Labor-Free**
- _____ **Manufactured Locally**
- _____ **Recyclable**
- _____ **Social Responsibility Project**

(Please Turn Survey Over)

Feature Ratings

Below are stickers to represent each feature. When you buy a new cell phone, the sticker will appear on the box to verify that the phone has that feature. Next to each feature, in the spaces provided, please do the following:

- 1) Assess each issue exclusively on a scale of 1-5, how important this issue/feature is to you (**1-Not important at all, 2-Somewhat not important, 3-Neutral, 4-Somewhat important, 5-Extremely important**).
- 2) Would you talk about this feature to your friends, ranking on a scale of 1-5 (**1-Never mention, 2-Rarely, 3-Neutral, 4-Somewhat often, 5-Mention often**)?
- 3) How would the inclusion of this feature affect your image of the company, ranking 1-5 (**1-Very negatively, 2-Somewhat negatively, 3-Neutral, 4-Somewhat positively, 5-Very positively**)?
- 4) Specify how much extra you would be willing to pay for this feature as a **one-time payment, in dollars**. For example, with \$100 as the base price, if you are willing to pay more for the feature, how much more? **Indicate between \$0 and \$20 more for each.**

Features	Sticker	Assess Importance (1-5)	Talk About Feature (1-5)?	Affect Company Image (1-5)?	Would Pay How Much Extra (\$)?
Green					
Child Labor-Free					
Manufactured Locally					
Recyclable					
Social Responsibility Project					

Demographics Section: Circle one of the following for each category.

1) Gender	Male	Female			
2) Age	Under 18	18-25	25-40	40-60	60+
How much do you agree with the following statements:					
3) "I consider myself very environmentally responsible when compared to others."	1 Strongly Disagree	2 Somewhat Disagree	3 Neutral	4 Somewhat Agree	5 Strongly Agree
4) "I consider myself very socially responsible when compared to others."	1 Strongly Disagree	2 Somewhat Disagree	3 Neutral	4 Somewhat Agree	5 Strongly Agree
5) "I only care about price when making a purchase."	1 Strongly Disagree	2 Somewhat Disagree	3 Neutral	4 Somewhat Agree	5 Strongly Agree
5) Annual Individual Income	\$0 - \$25,000	\$25,000 - \$50,000	\$50,000 - \$75,000	\$75,000 - \$100,000	\$100,000 +

VITA

Emily Kathryn Smith was born in Annandale, Virginia, on May 30, 1988. She attended primary and secondary schools in Durham, North Carolina, and graduated from Charles E. Jordan High School in 2006. The next August, she attended Appalachian State University and in the spring of 2009, she studied business management abroad for the semester at the Université Catholique de Louvain in Louvain-la-Neuve, Belgium. In May 2010, Ms. Smith earned a Bachelor of Science degree in Business Management. In the fall of 2010, she returned to Appalachian State University, where she accepted an invitation to study international business in pursuit of a Master of Business Administration degree. The MBA was awarded in August 2011. In September 2011, Ms. Smith will start a professional career in Charlotte, North Carolina.

Ms. Smith is an alumna of Sigma Kappa, Gamma Bet Phi, and the National honor Society for Collegiate Scholars, the Order of Omega, and a current member of Beta Gamma Sigma. Her home address is in Durham, North Carolina. Her parents are Mr. James Joseph Smith, Ph.D. of Pensacola, Florida and Mrs. Laura Bosworth Smith of Burlington, Vermont.