Australian Retail Council

ABN 99 064 713 718

Level 29, 31 Market Street
Sydney NSW 2000

www.retail.org.au

Submission to the Joint Select Committee on Artificial Intelligence

September 2026

The Australian Retail Council (ARC) welcomes the opportunity to contribute to the Joint Select Committee on Artificial Intelligence. This submission draws on public sources of economic and industry research, ARC's May 2026 survey of retail AI readiness and adoption, participants' anonymised contributions at the ARC Retail AI Summit in September 2026, and input from ARC's members implementing AI in their businesses. The submission examines retail's economic opportunity from AI, the practical barriers to adoption, its effects on work, and the way it may change how customers find and buy products. It principally addresses paragraphs (a), (d), (g) and (i) of the Committee's terms of reference.

Executive summary

Australia's weak productivity performance and stalled living standards make the effective adoption of AI a national economic priority. Retail can make a significant contribution to the success of the AI opportunity as the industry is both a major employer and a daily point of contact between Australians and new technologies. Decisions about AI will affect how retailers serve customers, organise their workplaces and workforce, manage supply chains, protect employees, and how they compete in an increasingly digital market.

Retail businesses have a strong record of innovation, but most have yet to incorporate AI deeply into their core operations. Those that have begun to are using it to improve decisions, assist employees, serve customers, and make some tasks safer. The next challenge for many retailers is to turn promising applications into reliable parts of everyday work.

Current evidence does not indicate widespread job losses in retail attributable to AI, although the tasks within some roles will change. Retail's immediate workforce need is for employees and managers who can use AI effectively and apply it in relevant ways, whilst exercising human judgement. Significant workforce capability-building will be necessary to ensure that investments in AI deliver the expected long-term outcomes.

AI is also changing how consumers discover products and interact with retailers. Businesses are investing in product information and customer-facing tools, while consumers' own AI services may increasingly influence which offers customers see and how purchases are made. These developments will introduce new considerations for customer payments authorisation, in particular, as agentic commerce develops. Industry-led standards and clear application of existing law offer practical ways to address them as the market develops.

Government policy should help retailers turn promising applications into productive, responsible uses at scale. ARC proposes coordinated retail policy and industry-led research, practical support for smaller businesses, applied workforce training, and consistent guidance under existing law. Government should recognise the ways employers are using technology to make work safer. As AI changes how customers find products and make purchases, retailers also need workable standards for outside agents and the freedom to invest in their own customer channels. Government's role in securing and sustaining public trust and confidence in AI will be critical to the nation's economic success.

Summary of Policy Recommendations

ARC recommends that the Australian Government:

1. Champion responsible AI adoption through practical evidence of its benefits and an Office of AI implementation agenda that assigns responsibility for addressing adoption barriers and reports on progress.
2. Establish a Retail Economy Coordination Forum and support a retail AI Cooperative Research Centre, recognising retail's research and commercialisation opportunity in the 2027 AI Accelerator round.
3. Coordinate AI policy across governments, harmonise obligations and remove unnecessary red tape, consistent with the Productivity Commission's proportionate, risk-based approach and its recommendation that AI-specific regulation be a last resort.
4. Fund industry associations to build smaller retailers' awareness and capability, through targeted AI demonstrations, workshops and direct engagement connected to existing advice, training and implementation support.
5. Develop practical retail AI and data skills through SaCSA's current qualifications review, national AI-skills initiatives and support for short workplace training delivered by ARC's Retail Institute and other providers.
6. Recognise AI's contribution to safer retail work and apply existing workplace law, supported by practical retail guidance rather than additional AI-specific workplace regulation or approval requirements.
7. Protect retailers' ability to compete as agentic commerce develops, involving ARC in policy and voluntary standards, preserving retailers' control of their services and access conditions subject to existing law, and allocating responsibility according to each party's role and control.

1. Retail matters to Australia's AI productivity opportunity

1.1 Weak productivity growth is holding back living standards

Australia's productivity performance has been weak for much of the past two decades. Average market-sector multifactor productivity growth over the past 20 years has been only 0.4 per cent a year, compared with 1.6 per cent between 1994–95 and 2003–04.[1] Since 2019, there has been effectively no sustained improvement in productivity.

The latest detailed annual industry estimates show that market-sector multifactor productivity fell by 0.5 per cent in 2024–25, while market-sector labour productivity fell by 0.2 per cent.[2] Retail trade performed worse, with multifactor productivity falling by 1.7 per cent during the year.

The most recent national accounts data provide little evidence of a sustained recovery. Economy-wide GDP per hour worked was unchanged in the June quarter 2026 and fell by 0.2 per cent over the year.[3] Market-sector gross value added per hour increased by 0.2 per cent during the quarter but remained 0.1 per cent lower than a year earlier.

AI will not solve Australia's productivity problem on its own, but it does give businesses many promising opportunities to deliver material gains. The Australian Government's *2026 Intergenerational Report* cites Productivity Commission modelling that AI and related digital technologies could raise the level of multifactor productivity by more than 2.3 per cent over a decade.[4] Similarly, EY-Parthenon analysis estimates that wider AI adoption could add between $95 billion and $116 billion to Australian GDP by 2036, equivalent to 2.6 to 3.2 per cent.[5]

1.2 AI can lift productivity across the retail economy

AI can improve productivity when it helps retailers make better decisions, reduces time spent on routine analysis and improves the use of stock, labour, and distribution capacity. The gains depend on whether a business can incorporate a useful application into its daily decisions and measure the result. Retailers' experience also shows that the costs of developing, integrating and operating a capability must be weighed against the time or resources it saves.

At the ARC Retail AI Summit, one retailer described a common problem for retail category managers: a store or category has performed differently from expectations, but there is limited time before the next trading meeting to work out why. An analyst might be able to test two or three possible explanations in that time. The retailer's analytics capability can test approximately 500 to 600 hypotheses in a minute, giving managers a much shorter list of factors to investigate. The retailer said category managers saved around five to seven hours a week, depending on how often they used it. However, the speaker also warned that the capability cost about five times as much as a traditional analytics platform, meaning that its value depends on whether the time saved and the decisions improved justify the higher cost.

Industry modelling estimates that retail adoption of generative AI could add between $3 billion and $9 billion annually to the Australian economy by 2030 — accounting for around 6 to 8 per cent of economy-wide opportunity.[6] Other

---

[1] Productivity Commission, 2026. *Annual Productivity Bulletin 2026*, PC Productivity Insights.
[2] Australian Bureau of Statistics, *Estimates of Industry Multifactor Productivity, 2024–25*.
[3] Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product, June 2026*, Table 1
[4] *Productivity Commission, 2025. Harnessing Data and Digital Technology, Inquiry Report No. 111, overview, p. 11, and Appendix B, pp. 143–146; cited in Australian Treasury, 2026, 2026 Intergenerational Report.*
[5] EY-Parthenon, 2026. 'The Economic Upside of Artificial Intelligence for Australia', 5 August.
[6] Microsoft and Tech Council of Australia, *Australia's Generative AI Opportunity*, 2023, pp. 3, 17 and 20

KPMG modelling of potential improvements to retailers from widespread adoption of generative AI applications indicate the potential to lift earnings by between 4 and 18 per cent through labour productivity gains.[7]

International evidence indicates that the returns to AI adoption in retail can be material. For instance, a European Commission report found that surveyed retail businesses adopting advanced digital technologies reported an average productivity improvement of 16.5 per cent, measured by output per hour worked. AI produced the most consistently positive result: 81.4 per cent of businesses using it said it had increased productivity, while 18.6 per cent reported no change and none reported a decrease.[8] Another international survey of retailers similarly found that 55 per cent had achieved a return above 10 per cent on their AI investments, including 21 per cent reporting returns above 30 per cent.[9] Sixty-seven per cent attributed greater efficiency—including cost reductions and supply-chain improvements—to AI, while 33 per cent reported productivity gains and 47 per cent reported innovation in products and services.[10]

1.3 Retail can demonstrate AI's benefits and help build public confidence

Retail is of particular importance because it is one of the principal ways Australians encounter AI in everyday life. Better product availability, faster deliveries and more responsive customer service give people a direct way to experience improvements in services that they use. In fact, many Australian consumers are already engaging with AI-supported applications. An Ernst and Young survey of Australian consumers found that 58 per cent had deliberately used AI in a customer-experience setting— higher than reported use in education and learning, professional life, government services or managing personal finances.[11]

This is despite Australians generally remaining cautious about AI in the abstract. EY's international index gave Australia a score of 54 out of 100, compared with 70 across the other markets surveyed, while only 38 per cent of Australians said they were excited about AI's future.[12] Similarly, the 2026 Lowy Institute Poll found 64 per cent of Australians said the risks of AI outweighed its benefits, an increase of 12 percentage points since 2024.[13]

1.4 The retail industry has the foundations for successful AI adoption

Australian retail has a strong record of adopting new products, services, and ways of working. ABS data show that 59.4 per cent of retail businesses were innovation-active—the highest proportion of any Australian industry.[14] More than half of retail businesses — 53.7 per cent — introduced or implemented an innovation during the year, compared with 38.2 per cent of all Australian businesses.[15]

The industry also has much of the underlying digital capability needed to take advantage of AI opportunities. Retail businesses are more likely than the average Australian business to maintain a digital business strategy, measure the contribution of digital activity to business performance, collect or analyse data for decision-making and use predictive analysis. In 2024–25, 13.7 per cent of retail businesses actively collected or analysed data to inform decisions,

---

[7] KPMG International (2025). *Intelligent Retail: A Blueprint for Creating Value through AI-driven Transformation*
[8] Strauka et al (2025). *Monitoring Industrial Ecosystems: Retail*, Analytical Reports – 2024 Edition, report prepared for the European Commission, p. 61, Table 3.
[9] KPMG International (2025). *Intelligent Retail: A Blueprint for Creating Value through AI-driven Transformation*
[10] KPMG International (2025). *Intelligent Retail: A Blueprint for Creating Value through AI-driven Transformation*
[11] EY (2025). *Retail Therapy for AI Anxiety: Can Consumer Brands Reboot Australia's AI Mindset?*
[12] EY (2025). *Bridging the Sentiment Gap: EY AI Sentiment Index Analysis, New Zealand and Australia*, p. 15.
[13] Lowy Institute (2026). *Artificial Intelligence: Majority Say Risks Outweigh Benefits*.
[14] The Australian Bureau of Statistics' *Characteristics of Australian Business, 2024–25*
[15] Australian Bureau of Statistics, 2026. *Characteristics of Australian Business, 2024–25*, Innovation Data Cube.

compared with 9.8 per cent across all industries.[16] The same ABS data show that 44 per cent of retail businesses considered ICT important to improving their responsiveness to customers, compared with 33.8 per cent of all businesses. More than one-third of retailers—37.6 per cent—reported better sales or marketing methods from their ICT use, while 21.6 per cent reported a better understanding of their markets.[17] International retail research indicates that retail firms across five European countries who use digital technologies beyond a basic website enjoy higher rates of productivity.[18]

2. Retailers face practical barriers to turning AI adoption into productive use

2.1 Retailers are applying AI across their operations, but adoption remains uneven

Despite retail being Australia's most innovation-active industry, only 9.2 per cent of retail businesses reported using AI in 2024–25 — below the economy-wide rate of 12.1 per cent.[19] This does not indicate that retailers do not see value in potential future gains from AI use. Fifty-two per cent of ARC survey respondents expected AI to improve decision-making and analytics, while 44 per cent identified staff productivity. Other benefits identified by ARC members in this survey included: the customer experience and marketing (40 per cent); administrative and compliance work (39 per cent); supply chain management (29 per cent); and cost reduction (27 per cent).

ARC's survey also found a substantial gap between interest in AI and its use in core retail operations. Marketing was the most common general application (49 per cent) — such as for preparing product descriptions and supporting ecommerce (41 and 39 per cent respectively) — but, by comparison, AI use in inventory management (29 per cent) and supply chains (16 per cent) were less common. 59 per cent of retailers reported making no operational use of AI.

When looking at larger businesses only, however, there is a greater level of maturity in the deployment in AI. A 2026 survey of global retail executives found that 64 per cent were using AI for fraud detection and cybersecurity, 48 per cent for pricing and promotions and 38 per cent for demand planning and forecasting.[20] The same survey found that 30 per cent were already using AI to improve supply-chain visibility, with the share rising to 41 per cent for those expected to be using it for this purpose within the following year. Fifty-nine per cent expected a positive return from AI-related supply-chain investment within 12 months.[21] In the Australian context, a 2026 survey of retail executives found that 49 per cent expected agentic AI to assist with inventory and replenishment, 45 per cent with pricing and promotions, 41 per cent with marketing automation and 34 per cent with forecasting and planning.[22]

ARC's members provide examples of how varied the use cases for AI can be. Woolworths Group uses demand forecasts to anticipate where groceries will be needed, drawing on purchasing patterns, weather forecasts, and regional logistics

---

[16] Australian Bureau of Statistics, 2026. *Characteristics of Australian Business, 2024–25*, Innovation Data Cube
[17] Australian Bureau of Statistics, 2026. *Characteristics of Australian Business, 2024–25*, Innovation Data Cube
[18] OECD (2026). *Local Retail, Global Trends: How Digital, Green and Skills Shifts in the EU Are Reshaping SMEs in Towns and Cities*, OECD Studies on SMEs and Entrepreneurship.
[19] Australian Bureau of Statistics, 2026. *Characteristics of Australian Business, 2024–25*, ICT Data Cube,
[20] Deloitte (2026). *2026 Retail Industry Global Outlook*.
[21] Deloitte (2026). *2026 Retail Industry Global Outlook*.
[22] Deloitte Australia (2026). *The Retail Report 2026: Peak Season, Peak Stakes*.

information. It also uses machine learning to plan transport routes, with the aim of reducing heavy-vehicle travel, fuel use and congestion. [23] Retailers also make use of AI to assist with goals such as food-waste reduction.

Other applications support buying and store decisions. For instance, Woolworths uses computer vision to identify fresh produce and other loose items placed on a scale —improving the speed and accuracy of produce identification at checkout.[24] Another ARC member provides buyers with price recommendations based on historical prices and customers' responses to them. It is developing a tool to identify where selling space could be rebalanced between departments, categories, and product ranges. It is also assessing whether unusual sales patterns could help store teams spot products that may be missing from shelves, and whether inventory issues could be ranked by their likely effect on customers.

2.2 Clear and demonstrable investment returns from AI adoption remain ahead for most retailers

Although 53 per cent of ARC survey respondents regard AI as critical or important to their future strategy, just 6 per cent have embedded it in core business processes. Thirty-seven per cent were running pilots and 30 per cent reported that individual teams were exploring its use. This has meant that investment by retailers has been relatively tentative, with one-third of surveyed retailers making no dedicated AI investment yet and another 19 per cent funding only limited experimentation.

Earlier retail technology applications offer a useful comparison about the time and investment required to realise gains. A study matching US grocery stores to their adoption of barcode scanners estimated an average labour-productivity gain of about 4.5 per cent in the first few years, with larger gains in stores selling more packaged products, but the fixed cost of installing the technology dwarfed the early productivity gains.[25]

Retailers report that there are challenges in demonstrating clear returns on AI investments in the short term.

For instance, one ARC member points to the commercial risks of consumption-based pricing of some AI tools. Usage can rise considerably when a tool becomes available across a business, while the price and capability of competing products continue to change. This creates challenges in managing licences and usage, allocating expenditure to applications that deliver best value, and in assessing choices of suppliers.

However, participants at ARC's Retail AI Summit note that the cost of the model itself need not always be high and challenged whether the newest AI is necessarily the best solution for the business' use case. Routine retail applications can often be directed to smaller and cheaper models without sacrificing the quality required for the task — with one participant estimating that 60–70 per cent of applications would not require frontier-level capability from AI tools. Similarly, participants pointed to applications that utilise less advanced tools — such as forecasting, predictive analytics and conventional machine learning — as established approaches that may be more dependable for some retail problems than more expensive and newer tools.

---

[23] Woolworths Group, 2026. *Submission to the Joint Select Committee on Artificial Intelligence*, submission 30.
[24] Woolworths Group, 2026. *Submission to the Joint Select Committee on Artificial Intelligence*, submission 30.
[25] Basker, E. (2012). "Raising the Barcode Scanner: Technology and Productivity in the Retail Sector", *American Economic Journal: Applied Economics*, 4(3), pp. 1–27.

The gap between experimenting with AI and embedding it as part of everyday operations is also important. Summit participants described retailers buying tools before making corresponding changes to processes, responsibilities, and management practices.

In addition, demonstrating clear returns on investment is not always straightforward. A tool may save time in several roles without producing a single, easily measured saving. Because some AI use results in shortening one task substantially and making several others a little easier, this can make the return harder to capture in a business case, even when employees find the application useful.

There are also challenges in scaling an AI deployment from a small pilot across a retail network. A retailer must decide which tasks the tool should perform, connect it to dependable information, give employees an effective way to use it, and measure whether it improves the work, whilst also monitoring costs as use grows.

2.3 Data, integration and skills gaps are holding back AI deployment

The main barriers to AI use reported by retailers relate to the capabilities to make implementation successful. Skills and expertise gaps were identified by 52 per cent of ARC survey respondents as limiting AI adoption in their business. Difficulty identifying worthwhile use cases and integration with existing systems were each nominated by 46 per cent. Change management and workforce readiness followed at 37 per cent, data, privacy and security at 35 per cent, and budget constraints at 29 per cent.

44 per cent of global retail executives surveyed by Deloitte considered legacy data systems to be slowing innovation — with clean and connected product and pricing data, together with workforce training, as prerequisites for effective deployment.[26] A similar survey of Australian retailers found that 48 per cent identified privacy or regulatory concerns as a barrier to AI adoption, 46 per cent pointed to an unclear return on investment, 45 per cent lacked the necessary internal skills, 41 per cent reported problems with data quality or availability and 35 per cent identified implementation costs.[27]

International evidence suggests that smaller businesses also need help beyond having access to an AI product. In a survey of more than 5,000 SMEs across seven countries, the OECD found that concerns about copyright, legal and regulatory questions, the treatment of information entered into AI systems, and employees' skills were common barriers to generative-AI adoption.[28] Among SMEs already using generative AI, 65 per cent reported improved employee performance, but no more than a third had taken steps such as training staff, setting internal guidelines or investigating the relevant legal issues.

Similar barriers to broader ICT use are found across the retail industry. ABS data show that 42.7 per cent of retail businesses experienced at least one barrier to using ICT, compared with 37.2 per cent across all industries. Retail businesses were more likely than the average Australian business to report insufficient staff skills, inadequate access to finance, and problems with technology.[29]

---

[26] Deloitte (2026). *2026 Retail Industry Global Outlook*.
[27] Deloitte Australia (2026). *The Retail Report 2026: Peak Season, Peak Stakes*.
[28] OECD (2025). *Generative AI and the SME Workforce: New Survey Evidence*, OECD Publishing, Paris
[29] Australian Bureau of Statistics, *Characteristics of Australian Business, 2024–25*, Use of ICT Data Cube.

The ARC Retail AI Summit heard that physical stores often remain retail's "least automated functions" because applying AI in store operations is difficult where information about customers, stock, staff, and local conditions must be combined into practical guidance for employees working in a fast-moving environment.

2.4 Responsible adoption requires workable governance and clear guidance

In ARC's survey, AI governance was the area of government assistance most commonly identified by retailers, nominated by 41 per cent of respondents. Privacy guidance was identified by 39 per cent, balanced regulation by 33 per cent, cybersecurity support by 31 per cent and adoption incentives by 28 per cent. More than one-quarter—27 per cent—specifically sought guidance designed for small and medium-sized enterprises.

Retailers are already establishing policies and processes to assess AI applications before deployment and monitor them in use. Member examples include a named business owner, checks of accuracy and bias, privacy or ethical assessments, limits on access to sensitive information, and human review of consequential decisions. As employees develop applications and agents gain the ability to act within business systems, retailers also need an inventory of those agents: who owns each one, what information and functions it can access, what actions it is permitted to take, and how those actions can be traced. Permissions should be limited to what the task requires and withdrawn when no longer needed.

Members describe a practical tension between access to tools and ensuring there are adequate controls in place. If approved AI tools are difficult to access or use, employees may turn to public services that are unsuitable for customer, employee, or confidential business information. Retailers need usable approved tools, clear rules about what information may be entered, and support for employees at the point of use. They must also consider where information is stored, who can access it, whether a supplier may use it to improve a model, and whether AI tools could retrieve or combine information in ways that exceed the purposes for which it was collected or made available.

Members also identify security risks that require more than the controls used for conventional software. An AI application may expose information through an unexpected connection to a data source or be manipulated into taking an action beyond its intended task. AI can also make phishing, impersonation and scams more convincing. Retailers therefore need to test AI applications for these risks, monitor their use and establish how to suspend access or respond to an incident. The controls become more important as an agent moves from providing information to making changes in a business system.

A further challenge for retailers comes to considerations of rights and responsibilities when precuring AI tools. Retailers need to assess their permitted use of AI-generated product content and code, the terms governing customised models, and suppliers' assurances about third-party material used to develop a tool. Practical guidance from relevant regulators, using common retail scenarios, would help businesses apply existing privacy, consumer, intellectual-property, and cybersecurity obligations consistently.

Dependence on external AI services also creates operational risks when it comes to reliability and service continuity. An ARC member notes that an interruption to externally supplied AI services could affect a business that has come to depend on them for everyday decisions or customer support. Retailers need to consider service availability, alternative processes and their dependence on particular suppliers of AI tools when deciding which applications to scale.

3. AI is changing retail work and the capabilities employees need

3.1 AI is changing tasks of retail workers rather than reducing jobs

Retail is, and will remain, one of Australia's largest employers. Technology will change the composition of some jobs — as it has throughout the industry's history — but the available evidence does not support assumptions of broad-based job displacement. Instead, available evidence suggests that the size of the workforce will continue to grow — with economic analysis identifying wholesale and retail as among the Australian industries recording comparatively strong expected employment gains as AI-related investment and economic activity expand.[30]

Exposure to AI is likely to vary considerably between retail occupations. For instance, some estimates place retail managers among the occupations with the greatest potential exposure to AI and general sales assistants in the second-highest group, at the same time that other roles — such as shelf-fillers — are among the least exposed occupations.[31]

International evidence provides some insight into the evolving makeup of the retail workforce. The OECD found that customer-facing positions had become a smaller share of retail employment across Europe as digital, logistics and other supporting roles grew in importance. At the same time, demand for interpersonal and customer-service skills in frontline retail roles increased in 20 of the 27 countries examined.[32]

Evidence from the wider labour market provides further context. Australian Government analysis found that employment in the occupations most exposed to AI increased by 5.6 per cent between November 2022 and February 2026 — only modestly slower than those in the least exposed occupations — and concluded that there was not yet evidence that AI had directly contributed to job losses in Australia.[33]

Similarly, international labour-market experience also cautions against fears of potential mass job losses. For instance, a study of French firms adopting AI between found increases in firm-level employment and sales after adoption, including growth in occupations classified as susceptible to substitution.[34] Recently, *The Economist* published estimates that AI-related investment and activity had created approximately one million jobs in the United States between mid-2023 and 2026, compared with around 200,000 layoffs attributed to AI.[35]

3.2 AI can help retail employees work more effectively and serve customers better

An occupation is made up of many tasks, only some of which can be automated. Commissioned research by Microsoft and the Tech Council estimated that generative AI could automate around 30 per cent of the tasks undertaken by shop assistants and augment another 32 per cent.[36]

---

[30] EY-Parthenon (2026). *The Economic Upside of Artificial Intelligence for Australia*, August.
[31] Department of Employment and Workplace Relations (2026). *AI and Employment in Australia*, Office of the Chief Economist, Table 1, p. 11.
[32] OECD (2026). *Local Retail, Global Trends: How Digital, Green and Skills Shifts in the EU Are Reshaping SMEs in Towns and Cities*, OECD Studies on SMEs and Entrepreneurship, pp. 135–136.
[33] Department of Employment and Workplace Relations (2026). *AI and Employment in Australia*, Office of the Chief Economist.
[34] Aghion, P et al (2025). How Different Uses of AI Shape Labor Demand: Evidence from France, *AEA Papers and Proceedings*, 115, pp. 62–67.
[35] *The Economist*, The jobs apocalypse is postponed. An AI jobs boom is here, 4 September 2026, pp. 2–5
[36] Microsoft and Tech Council of Australia, *Australia's Generative AI Opportunity* (2023), p. 20

Retailers participating in the ARC Retail AI Summit described efforts to reduce administration and time spent navigating systems so employees could devote more attention to customers. One retailer was investing in AI to reduce store tasks. Another described digital tools handling routine enquiries so store and contact-centre employees could concentrate on sales, advice, and more difficult customer needs. One ARC member also provides a digital assistant for loyalty-program questions and frequently asked questions, aiming to give customers convenient answers and allow service employees to concentrate on enquiries requiring personal attention.

AI is also helping employees find and use information. One ARC member has incorporated generative AI into knowledge management, onboarding, digital assistance, and routine processes. Its assistant answers day-to-day questions and helps employees find information held across separate systems. Product search is being integrated so that store employees can look up items while assisting customers. The same ARC member is also developing assistants that combine business data and operational context to help managers investigate problems and decide what action to take.

Some research evidence shows that improving employees' ability to help customers from a well-integrated assistant can achieve when reliable product and workplace information. A study of 5,172 support agents found that access to an AI tool increased the number of issues resolved per hour by 15 per cent on average, with larger gains among less experienced employees.[37]

3.3 AI can help employers make retail work safer

AI gives retail employers additional means of identifying hazards, reducing physically demanding work and responding more quickly when employees or customers are at risk. These applications extend across stores, distribution centres, offices and delivery operations.

A recent International Labor Organization report examines how technology is supporting safer retail workplaces.[38] Applications include automated equipment for repetitive lifting, sorting and stock movement; wearable devices and sensors to identify hazardous posture, fatigue and heat strain; and computer-vision systems to detect spills, obstructed exits, and unsafe movements. Route-planning tools can also help delivery workers avoid hazardous road or weather conditions. In addition, Woolworths Group reports reduced manual handling at its automated distribution centres and describes using computer vision to improve safety around loading docks and exclusion zones.[39]

AI can also help employers manage work-related psychosocial hazards. Demand forecasting and workforce planning can help managers better anticipate busy periods, reduce the risk of understaffing, and distribute workloads more effectively across stores, shifts, and teams.

The existing work health and safety framework already governs these applications. Safe Work Australia states that its model laws are principles-based and technology neutral, that employers remain responsible for risks associated with AI systems, and that the introduction of digital technology is managed through the ordinary processes for identifying risks, consulting workers where required and applying controls. Its July 2026 guidance expressly recognises opportunities to

---

[37] Brynjolfsson, E., Li, D. and Raymond, L. R. (2025). Generative AI at Work, *Quarterly Journal of Economics*, 140(2), pp. 889–942.
[38] International Labour Organization (2026). *Occupational Safety and Health in Retail in a Changing World of Work: Risks, Prevention and the Role of Technology*.
[39] Woolworths Group (2026). *Submission to the Joint Select Committee on Artificial Intelligence*, submission 30.

reduce manual handling and exposure to dangerous environments through robotics and automation, as well as the use of digital technology to improve physical security.[40]

Occupational violence from customers is an immediate concern for retail employers. AI-enabled CCTV may help identify signs of escalating conduct and alert store managers or security personnel sooner. Facial recognition technology — supported by AI — may provide a further safety control where retail workers face risk from high-harm violent offenders. The Office of the Australian Information Commissioner's updated guidance provides retailers with a framework for assessing its lawful use.[41]

3.4 Retail workers and managers need practical AI skills

Retail's workforce requirement is different from that of an industry developing foundation models or specialist AI infrastructure. Most retailers will acquire AI through existing software, technology suppliers, platforms and commercial partnerships. Their employees and managers need to know how to use those products effectively and responsibly within a retail business. This requirement is consistent with evidence from ARC members. Skills and internal expertise were the most frequently identified obstacle in ARC's member survey.

Jobs and Skills Australia's research supports an emphasis on practical familiarity with AI application for retailers. [42] Across businesses surveyed, around five times as many considered familiarity with generative AI important as considered specialist generative-AI skills important — with data capability, enterprise transformation, and human-resources capability rating highly. [43]

For retail employees, practical capability includes using approved tools, framing useful requests, checking outputs, recognising fabricated or biased responses, handling information appropriately, and knowing when to seek human advice. Managers also need to identify worthwhile business problems, assess suppliers and data requirements, adapt work processes, measure returns, and support employees through change.

ARC members' experience suggests that training must reach employees across stores, distribution centres and offices, including those unable to attend scheduled classes. A workable approach combines foundational AI literacy, onboarding to approved tools, short self-paced learning relevant to each role, and local champions who can help colleagues apply what they have learned.

Members also draw on technology suppliers for hands-on sessions and controlled trials, keeping training close to the tools employees use. Leaders need opportunities to practise selecting applications, changing processes, and evaluating results.

4. AI is changing how retailers compete for and serve customers

4.1 AI is changing how customers find retailers

Australian consumers are using AI across stages of the shopping process — building on the widespread existing use of search engines, marketplaces, and social platforms. Australia Post reports that six in ten Australians now use AI,

---

[40] Safe Work Australia (2026). *Artificial Intelligence (AI) and Digital Technologies*, guidance published 23 July.
[41] Office of the Australian Information Commissioner (2026). *Facial Recognition Technology: A Guide to Assessing the Privacy Risks*, updated 29 July.
[42] Jobs and Skills Australia (2025), *Our Gen AI Transition: Industry Exposures and Adoption*, 2025
[43] Jobs and Skills Australia (2025). *Our Gen AI Transition: Implications for Work and Skills—Analysis Papers*.

including 28 per cent of Millennials who use it daily. Three in ten Gen Z consumers consult AI when researching what to buy.[44] Though actual use is currently lower than stated willingness, Deloitte found that 63 per cent of consumers were willing to use AI to compare products or services, 60 per cent to research products suited to their needs, 59 per cent to find and apply discounts, and 55 per cent to negotiate or price-match.[45]

Businesses are also preparing for a more agent-mediated market: 44 per cent described themselves as advocates of agentic commerce and 85 per cent were taking steps to prepare for it.[46] Nine in ten global retail executives regarded consumers' use of AI in place of conventional search engines as either already mainstream or expected it to become so during 2026. Around half expected the present multistage shopping journey to be reduced to a single AI-mediated interaction by 2027.[47]

As AI services increasingly influence which products customers see, this requires retailers to ensure those services can access and accurately interpret their offers. The ARC Retail AI Summit heard that current AI search services could not access approximately 40 per cent of websites, according to one participant's estimate — due to missing, inconsistent, or inaccessible information about products, prices, and availability preventing a retailer from appearing in recommendations or its offers being described incorrectly.

This could also change how retailers compete for customers' attention. Deloitte found that 81 per cent of the global retail executives it surveyed expected generative AI to weaken brand loyalty as recommendations placed greater weight on value and product fit than on brand recognition. [48] Australian retail executives report concerns that retailers which fail to prepare their digital channels and customer experiences for AI agents risk becoming invisible to the next generation of shoppers.[49]

ARC member experience shows what this preparation involves. One ARC member reports developing a capability across its business to improve how its product and brand information is discovered and represented in AI search and emerging shopping services, including how customers move from product discovery towards a transaction.

4.2 Retailers' use of AI can improve the customer experience

Retailers are using AI to help customers find suitable products and plan purchases. One ARC member offers an online and app-based shopping assistant that supports product discovery and purchasing decisions through conversation. Another reports using AI-assisted interior design tools and personalised digital experiences. Woolworths Group's Smart Basket helps customers build their regular grocery order, while its Agentic Olive conversational service supports product discovery, meal planning around dietary preferences and recipes using ingredients already at home.

Some retailers are testing purchasing through external AI services. One member is piloting an experience in which customers can discover products and complete an online purchase within an AI-enabled search or shopping service. It is testing the full journey and observing customer behaviour before wider deployment.

Early evidence suggests these applications can improve commercial outcomes. One Australian retailer told the ARC Retail AI Summit that customers using its shopping agent were substantially more likely to make a purchase and had a

---

[44] Australia Post (2026). *Australia Post eCommerce Report 2026*, pp. 7 and 31.
[45] Deloitte Australia (2026). *The Retail Report 2026: Peak Season, Peak Stakes*.
[46] Australia Post (2026). *Australia Post eCommerce Report 2026*, pp. 33.
[47] Deloitte (2026). *2026 Retail Industry Global Outlook*., p10.
[48] Deloitte (2026). *2026 Retail Industry Global Outlook*., p10.
[49] Deloitte Australia (2026). *The Retail Report 2026: Peak Season, Peak Stakes*.

markedly higher average online order value than other online customers. The agent drew on product information the retailer had developed over many years to connect customers' project needs with relevant products. Another retailer reported that AI-enabled improvements to its digital experience had coincided with a 30 to 40 per cent increase in digital customer-experience scores and a 10 per cent increase in digital sales.

Academic research provides another example of AI improving the accuracy of customers' purchasing decisions. In a six-week randomised trial involving 112,473 transactions in apparel retail, researchers used a machine-learning model to identify purchases at higher risk of return and tested a targeted intervention to help customers choose a suitable fit. Returns fell by 3.0 percentage points, equivalent to a 15.6 per cent relative reduction in likelihood of a return, without impacting on customer conversion, average order value, or customer satisfaction.[50] Similarly, in a randomised trial on a livestream selling platform, customers given access to an AI assistant could ask questions and obtain product information during a broadcast. Sales increased by 3.0 per cent and product returns fell by 12.55 per cent relative to the comparison group. [51]

4.3 Agentic commerce may present practical regulatory challenges as it evolves

Consumer acceptance of agentic commerce remains limited. Australia Post found that 16 per cent of consumers liked or strongly liked the concept, while 61 per cent disliked or strongly disliked it and 23 per cent were unsure. Concerns centred on control over purchases, payment information and the accuracy of the product an agent might buy.[52]

These concerns become more consequential as AI moves from answering product questions to making purchases. More autonomous agents may compare retailers, select an offer and complete a transaction within limits set by the customer. Retailers and service providers will need workable ways to establish who operates an agent, whether the customer has authorised it to act and what that authority permits.

Responsibility should reflect what each party operates, authorises, and controls. A retailer deploying an agent within its own systems needs to manage its access to information and transaction functions, record its actions, and be able to withdraw that access. When an independent agent interacts with a retailer, it may misstate a price, present outdated availability, or attempt a purchase without valid customer authority. The parties need clear processes for identifying and correcting errors and resolving disputed purchases. Retailers should not be made responsible for statements, recommendations or transactions generated independently by agents they do not operate or authorise.

Retailers and marketplaces must also remain free to develop their own shopping assistants, present and rank offers within their services, and set commercial and security conditions for access to their systems and product information, subject to existing law. An independent agent should not acquire a right to a retailer's data or transaction functions merely because it claims to act for a customer.

At the same time, retailers need a fair opportunity to reach customers through influential AI intermediaries. An intermediary could exclude retailers, misrepresent their offers or favour its own services when recommending products.

---

[50] Chen, X. and Haron, M. (2026). Returns Foresight: Explainable Machine-Learning Models to Predict and Reduce Product Return Propensity in Omnichannel Apparel Retail, *Journal of Retailing and Consumer Services*, 92.
[51] Wang, L. et al (2025). Artificial Intelligence (AI) Assistant in Online Shopping: A Randomized Field Experiment on a Livestream Selling Platform, *Information Systems Research*, 36(4), pp. 2358–2374.
[52] Australia Post (2026). *Australia Post eCommerce Report 2026*, p. 32

Existing competition, consumer, privacy, intellectual-property and electronic-transactions laws provide the starting point for addressing these issues. ARC considers that the evidence presented in this submission does not establish a general regulatory gap requiring additional AI-specific obligations on retailers. Any proposal for further regulation should identify a specific harm and explain why existing law, enforcement or guidance cannot adequately address it.

5. Government policy should accelerate productive and responsible AI adoption in retail

Recommendation 1: Champion the benefits of AI adoption and publish a practical implementation agenda

The Australian Government should be a clear and consistent public advocate for the responsible AI adoption. Ministers should explain the improvements businesses and workers are achieving, the investment needed to extend them and how risks are being addressed.

With public confidence remaining low, government should present practical evidence of applications that improve customer service, make work safer and help businesses become more productive. It should also explain the privacy protections, human oversight, and accountability that make those applications trustworthy.

The National AI Plan commits government to capturing the opportunity, spreading its benefits and keeping Australians safe. The Office of AI should publish an implementation agenda that identifies barriers to adoption and investment, allocates responsibility for addressing them and reports on progress. Its reporting should draw on measured outcomes and practical industry case studies while protecting commercially sensitive information. Retail should be recognised as a major industry through which improvements in productivity, safety and customer service can reach Australians.

Government should engage constructively with technology providers, investors, researchers and businesses adopting AI. Working with the Department of Industry, Science and Resources and state and territory governments, it should provide timely and predictable decisions on AI infrastructure proposals that meet its published requirements on energy, water, security and community impacts. Its public statements and regulatory decisions should give businesses and workers confidence that responsible innovation is welcome in Australia.

Recommendation 2: Establish a Retail Economy Coordination Forum and support a retail AI Cooperative Research Centre

The Australian Government should establish a standing Retail Economy Coordination Forum involving relevant Commonwealth departments and agencies, with a designated lead minister and department officials. Retail policy spans economic, employment, skills, consumer affairs, competition, digital regulation, supply chains, infrastructure and crime portfolios, and more. The forum should identify issues that cross portfolio responsibilities, coordinate responses and escalate unresolved barriers to the responsible ministers. AI adoption and productivity should be an early standing item.

Government should also explicitly recognise retail's research and commercialisation opportunity in the forthcoming 2027 AI Accelerator round of the Cooperative Research Centres Program. Findings and reusable tools should be shared beyond participating businesses, subject to appropriate intellectual-property and confidentiality arrangements and could inform the small-business support proposed in recommendation 4.

Recommendation 3: Coordinate AI policy across governments, harmonise obligations and remove unnecessary red tape

ARC supports the Productivity Commission's recommendation that regulatory responses to AI should be proportionate, risk-based, focused on outcomes, and technology-neutral wherever possible. ARC also supports its recommendation that AI-specific regulation should be a last resort, considered only where existing frameworks cannot be sufficiently adapted and technology-neutral regulation cannot adequately address the risk.

Government should apply this approach by assessing the additional risks arising from particular uses of AI and whether existing law, guidance or enforcement can address them. Routine retail applications should not attract additional obligations simply because they use AI. Any new requirements should respond to an identified gap and be proportionate to the likelihood and severity of harm. Governments should avoid duplicating obligations retailers already meet under privacy, consumer, employment and cybersecurity law, or, where applicable, the Security of Critical Infrastructure Act.

The multiple AI-related reviews, consultations and reform processes underway across Commonwealth, state and territory governments need to produce a coherent and consistent policy framework, with proposals considered together to identify overlaps, resolve conflicting requirements and assess their cumulative impact on businesses.

Regulatory harmonisation and reducing unnecessary compliance costs should be explicit priorities. Retailers operating across jurisdictions need consistent requirements that allow them to deploy useful applications without duplicative assessments, conflicting guidance or repeated reporting.

Through its existing coordination role, the Office of AI should work with responsible Commonwealth departments, state and territory governments and relevant regulators to identify and address overlapping or inconsistent requirements. This work should publish proposed actions, responsible agencies and timeframes, with a clear process for ARC and its members to raise practical examples.

The National AI Centre should also work with industry and relevant agencies to adapt existing supplier-assessment and procurement resources for commercial retail use, particularly for businesses without specialist legal and technical teams.

Recommendation 4: Build the capabilities smaller retailers need to adopt AI

The Australian Government should fund practical outreach and support to help small and medium-sized retailers understand AI opportunities and apply them in their businesses. Smaller retailers may lack the time, specialist staff and resources to identify suitable applications and assess their value, even where tools and government support are available. Support should also address data readiness, supplier selection, protection of customer and business information, changes to work processes, and staff capability.

Government should provide grant funding to relevant industry associations to deliver a targeted industry-specific AI awareness and engagement program, working with the Australian Small Business and Family Enterprise Ombudsman and the National AI Centre. Through practical demonstrations, workshops and direct engagement, the program should help retailers understand where AI could benefit their businesses, identify worthwhile applications, and connect with existing advice, training and implementation support.

Building on the existing AI Adopt Program, the National AI Centre should work with ARC and AI Adopt Centres to connect this engagement with practical assistance and identify gaps in support. The program should connect with the

workforce training proposed in recommendation 5 and incorporate relevant findings from the research proposed in recommendation 2 as they become available.

Recommendation 5: Develop retail AI skills through dedicated workplace training

The Australian Government should support SaCSA, ARC, employers, employee representatives and training providers to ensure retail workers and managers can develop practical AI and data skills. This work should connect with Future Skills Organisation's national AI-skills initiatives and use relevant existing resources and competencies.

SaCSA's current Retail Qualifications Continuum Review provides an immediate opportunity to assess how well proposed training products address the changing tasks and capabilities identified in this submission. ARC recommends that practical AI and data skills be considered through that review and subsequent training-product development.

Workplace learning should complement nationally recognised training. ARC's Retail Institute and other providers should be supported to develop short modules addressing specific retail tasks where a qualification change is unnecessary or cannot meet an immediate need. Delivery should include short, self-paced learning and onboarding to approved tools so that employees in stores, distribution centres and offices can participate, including those unable to attend scheduled classes.

Training could cover topics such as approved tools, data handling, checking outputs, recognising limitations, exercising human judgement, and working safely alongside AI-enabled systems. Managers and business owners also need to identify worthwhile applications, assess data and supplier requirements, adapt processes, and evaluate results.

Recommendation 6: Recognise safer retail work enabled by AI and apply existing workplace law

Government should recognise employers' use of AI, automation, and digital technologies to make retail work safer. These applications can reduce manual handling, improve workers' use of equipment, identify hazards earlier, and strengthen responses to customer violence and aggression.

ARC's position should inform the Government's existing work through the tripartite Artificial Intelligence Workplace and Employment Forum. Existing work health and safety duties, consultation requirements, privacy protections, anti-discrimination law and the Fair Work framework already apply to AI-enabled work systems. ARC does not consider that the evidence presented in this submission establishes a need for additional AI-specific workplace relations or work health and safety regulation.

Government should prioritise practical guidance and consistent application of existing obligations rather than introduce a separate statutory approval process, mandatory AI implementation agreement or other new condition on introducing workplace technology. The Australian Government should work with states, territories and relevant regulators within their respective responsibilities.

Safe Work Australia should build on its existing AI and digital-technology guidance by working with ARC, retail employers, and worker representatives on practical retail examples for how employers may deploy AI to create safer work environments.

Recommendation 7: Ensure retailers help shape agentic-commerce policy and industry standards

The Australian Government should ensure that its approach to agentic commerce preserves retailers' ability to compete, invest in their own customer services and determine how independent AI agents interact with their businesses. Treasury's existing work should directly involve ARC and its members so that policy reflects the practical requirements of retail transactions.

Retailers and marketplaces should remain free to develop their own shopping assistants, present and rank offers within their services, and set commercial and security conditions for access to their systems, product information and transaction functions, subject to existing law. ARC does not support a general obligation to provide independent agents with access or to disclose algorithms.

Retailers also need a fair opportunity to reach customers through influential AI search and recommendation services. Government should address demonstrated conduct that excludes retailers, misrepresents their offers or harms competition, using existing competition and consumer law wherever it can effectively address the problem.

Responsibility should reflect the role each party plays and the risks it can manage. Retailers should remain accountable for their own services and decisions, while responsibility for an independent agent's statements or actions should not be assigned to a retailer merely because the agent interacts with its business. Policy and industry arrangements should distinguish the responsibilities of retailers, model and agent providers, and payment providers under existing law.

ARC supports voluntary, industry-led standards that make agentic transactions reliable and protect customer authorisation. Practical arrangements should help parties establish an agent's identity, verify what a customer has authorised it to do, limit its access to the information and functions needed for a transaction, and trace its actions when an error or dispute arises. Government should support retailer participation in existing standards work alongside AI service providers, banks, payment providers and consumer representatives.

About ARC

ARC represents the Australian retail sector. Valued at $444 billion, retail is the nation's largest private sector employer, supporting more than 1.4 million jobs, including more young Australians aged 15 to 24 years than any other industry. ARC's membership is diverse. From family-owned small and independent businesses, comprising 95 per cent of our membership, to large national and international retailers supporting communities across metropolitan and regional Australia. With more than 155,000 retail outlets nationwide and a growing online presence, the retail sector is embedded throughout the economy, playing a critical role in the supply chain of Australian businesses. ARC advocates for policies and reform that drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it. At a time of rapid change, from technological disruption and international competition to shifting consumer behaviour and sustainability expectations, effective policy settings are critical for retailers, workers, consumers, and communities.

Please direct any enquiries about the contents of this submission to policy@retail.org.au