Australian Retailers Association

SUBMISSION
RESPONSIBLE USE OF AI

JULY 2023

The Australian Retailers Association (ARA) welcomes the opportunity to provide comments in response to the Department of Industry, Science and Resources - Discussion Paper on the safe and responsible use of artificial intelligence in Australia.

The ARA is Australia's oldest, largest and most diverse industry association for retail, representing a $400 billion sector that employs 1.3 million Australians. As Australia's peak retail body, representing more than 120,000 retail shop fronts, the ARA informs, advocates, educates, protects and unifies independent, national and international retail members.

We represent the full spectrum of Australian retail, from our largest national and international retailers to our small and medium sized members, who make up 95% of our membership. Our members operate across all categories - from food to fashion, hairdressing to hardware, and everything in between.

EXECUTIVE SUMMARY

Artificial Intelligence (AI) and Machine Learning (ML) technologies have significantly evolved over the past 20 years, presenting transformative opportunities for the retail sector. These technologies have revolutionised various aspects of the retail value chain, benefiting retailers, suppliers and customers alike. Against this backdrop of transformation, regulation has needed to change to support a safe and responsible use of AI.

From product development and supply chain management to marketing, customer engagement, and fraud detection, AI has become a driving force behind improved efficiency, personalisation, and customer satisfaction in the retail sector. Moreover, AI's impact on customer experience has been profound, leading to personalised recommendations, predictive customer service, seamless shopping experiences, and tailored promotions.

The growth of the retail sector plays a significant role in contributing to the Australian economy. Embracing AI and ML technologies is essential to maintain competitiveness, stimulate consumer spending, and drive business growth. It is vital to govern the responsible use of AI in the retail sector through a flexible and informed approach. By doing so, we can ensure that AI contributes positively to the retail sector's continued success and economic development while safeguarding customer trust and welfare.

The ARA supports a risk-based approach to AI regulation and recommends ongoing consultation with industry and community groups. While existing regulations cover much AI risk, the innovative

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

opportunities AI presents to the retail sector may require tailored approaches. To this effect, non-regulatory initiatives such as industry specific best practice frameworks, ethical AI guidelines, and AI impact assessments can support responsible AI practices.

AI governance coordination can be effectively achieved by leveraging existing government functions and coordinating policy responses, including in security and privacy. Additionally, the introduction of an AI Policy & Ethics function in Federal Government can play a crucial role in overseeing ethical AI practices.

A cooperative model, inspired by successful initiatives like the Cyber Security Cooperative Research Centre (Cyber CRC), could facilitate collaborative information sharing among government, academia, and industry stakeholders, enhancing knowledge exchange and fostering responsible AI development and deployment. This integrated and cooperative approach reduces the cost overhead to government whilst providing a comprehensive AI governance ecosystem.

For the retail sector, governance measures should promote best practices during AI adoption and ongoing utilisation. This includes AI transparency requirements, ethical guidelines, customer informed consent mechanisms, voluntary disclosures, and AI ethics review boards.

Mandating transparency requirements in AI use across sectors should apply to high-risk use cases, whilst balancing the requirement for disclosure of commercial intellectual property such as proprietary algorithms. The ARA supports the use of best practice frameworks or guidelines for lower risk AI applications. Overall, a collaborative use-case-aware approach to AI governance in the retail sector will foster responsible AI adoption and consumer protection.

RECOMMENDATIONS

A summary of ARA recommendations include:

RECOMMENDATION 1

Definitions should be consistent nationally across all state and federal government, based on international standards and made openly available.

RECOMMENDATION 2

Consideration should be given to Industry specific applications of AI which might be adversely impacted by generic considerations.

RECOMMENDATION 3

The Australian Government can implement non-regulatory initiatives to support responsible AI practices. These initiatives focus on fostering collaboration, providing resources, promoting best practices, and in some cases establishing voluntary codes. A flexible approach mitigates the risk of developing regulation that is rapidly superseded by the technology it seeks to administer.

RECOMMENDATION 4

The ARA supports the establishment of a central office within government to coordinate AI policy.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

RECOMMENDATION 5
The same AI ethical principles should apply to public and private sectors, but governance and regulation should be applied on a risk basis.

RECOMMENDATION 6
The ARA recommends governance measures, such as best practices frameworks, and in some cases voluntary codes to support the responsible use of AI in the retail sector.

RECOMMENDATION 7
The ARA recommends a balanced approach to AI risk mitigation that combines generic principles with use-case specific measures. This can help ensure responsible AI deployment while accommodating the diverse AI applications in the retail industry.

RECOMMENDATION 8
High risk AI applications should not be banned but should be subject to appropriate controls, such as sandboxed testing until proven operationally safe and viable.

RECOMMENDATION 9
Agreed transparency requirements for high-risk applications will foster accountability, protect consumer rights, and build public trust in AI. Overregulating transparency requirements for lower risk applications will impede operations, service, and innovation in the sector. Future governance or regulations must strike a balance between transparency and business operations while safeguarding the interests of customers.

RECOMMENDATION 10
A risk-based approach is best suited to navigate the dynamic nature of AI technologies and their application. This also mitigates the risk of developing guidance that is rapidly superseded by the technology it seeks to administer.

RECOMMENDATION 11
A risk-based approach can be beneficial for the retail industry, provided that it is balanced with clear guidelines, derived from industry collaboration, and is applied with technical neutrality.

RECOMMENDATION 12
Small Businesses will require more support from Government in addressing risk assessment of AI application.

RECOMMENDATION 13
An AI risk-based approach could compliment concurrent reforms in cyber security, privacy and information policy.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING IN THE RETAIL SECTOR

In order to provide a meaningful response to consultation, the ARA must emphasise the important role that AI and ML has had, and continues to have, in building a resilient Australian retail sector.

Over the past 20 years, AI and ML have evolved to present transformative opportunities for the retail sector. These technologies have progressed from theoretical concepts to practical applications, revolutionising various aspects of the retail value chain. Today, AI and ML benefit the retail sector and its customers in multiple ways, from innovating product development, to enhancing operational efficiency, customer experiences, and decision-making processes.

1. **Product Development, Sourcing, and Enhancing Customer Experiences**: AI and ML technologies have enabled retailers to gain valuable insights into customer preferences, market trends, and competitor strategies. By analysing data, retailers can now identify emerging trends and demand patterns swiftly. This enhanced understanding of consumer behaviours empowers retailers to optimise product development and sourcing decisions, ensuring they offer the right products at the right time, leading to reduced inventory costs and increased customer satisfaction.

2. **Supply Chain Management**: AI-powered demand forecasting and supply chain optimisation solutions have revolutionised supply chain management for retailers. ML algorithms can analyse historical data, predict future demand patterns, and optimise inventory levels. This results in minimised stockouts, reduced logistics costs, and improved overall supply chain efficiency. Additionally, AI facilitates real-time tracking and monitoring of shipments, ensuring timely deliveries and enhanced supply chain visibility.

3. **Marketing and Customer Engagement:** AI-driven personalised marketing campaigns have become a cornerstone of the retail industry. By leveraging customer data and ML algorithms, retailers can create tailored marketing strategies that resonate with individual customers. This personalisation leads to increased customer engagement, improved conversion rates, and strengthened customer loyalty. Moreover, AI-powered chatbots and virtual assistants provide customers with prompt and accurate support, enhancing the overall shopping experience.

4. **Point of Sale**: AI has significantly transformed the point-of-sale processes in retail. Self-checkout systems and AI-powered payment solutions can expedite transactions, offer personalised payment and reward options, and reduce waiting times for customers.

5. **Inventory and Stock Management:** AI-driven inventory management systems enable retailers to maintain optimal stock levels and avoid excess inventory. Algorithms can predict demand fluctuations and inventory turnover rates, enabling efficient stock replenishment and reducing logistics costs. AI-powered smart shelves and RFID technology further automate inventory tracking, ensuring real-time monitoring of stock levels and reducing the likelihood of stockouts.

6. **Pricing and Promotions:** AI-powered dynamic pricing algorithms empower retailers to adjust prices in real-time based on market conditions, demand, and competitive dynamics. This optimisation of pricing strategies leads to increased revenue and profit margins. Moreover, these intelligent promotional tools play a role in addressing cost-of-living pressures, empowering customers to optimise their purchases and take advantage of promotions that align with their needs and preferences.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

7. **Customer Insights and Market Research:** AI and ML tools facilitate the analysis of customer data, providing retailers with valuable insights into customer preferences and behaviour. Retailers can identify customer trends, sentiment, and pain points, helping them make informed business decisions. Additionally, AI enables sophisticated market research, enabling retailers to understand market trends and competitor strategies better.

8. **Fraud Detection and Security**: AI-powered fraud detection systems have become crucial for retailers in safeguarding financial transactions and customer data. Algorithms can analyse patterns of fraudulent behaviour and identify potential threats in real-time. This proactive approach helps retailers detect and prevent fraudulent activities, protecting both the business and its customers. The ARA foresees that fraud detection systems will result in more staff on the ground to implement mitigation activities resulting from fraud detection analytics.

9. **Team and Customer Safety:** AI-driven technologies can play an important role in enhancing team and customer safety, with the integration of robotics and computer vision as supporting elements. AI manages underlying automated decision-making processes, enabling swift responses to emergency situations and reducing the risk of accidents.

Finally, the ARA emphasises the impact that AI can have on our evolving Customer Experience:

Here are some ways that the application of AI and ML can create high quality, effective customer engagement:

1. **Personalised Recommendations**: AI algorithms analyse customer data to understand individual preferences and shopping behaviours. With this information, retailers can offer personalised product recommendations, tailored to each customer's unique tastes and interests. This not only makes the shopping experience more convenient but also exposes customers to new and relevant products they may not have discovered otherwise.

2. **Predictive Customer Service**: AI-powered chatbots, virtual assistants, and other algorithmic based tools, can anticipate customer needs and provide proactive support. By analysing customer queries and past interactions, AI can predict potential issues and address them before they become problems. This lets customers know they are valued and well-cared for, leading to a positive and engaging experience.

3. **Seamless Shopping Experience**: AI and ML enable retailers to optimise various aspects of the shopping experience, such as personalised pricing, frictionless checkout processes, and smooth navigation through product catalogues. Removing obstacles and streamlining the purchase journey will create a seamless shopping experience for customers.

4. **Tailored Promotions and Offers**: AI-powered promotional tools can analyse customer data to deliver targeted and relevant promotions to individual customers. Retailers can offer discounts, rewards, and incentives that align with customers' preferences and buying habits, increasing the likelihood of engagement and high-level satisfaction.

5. **Virtual Try-On and Augmented Reality**: AI-driven virtual try-on and augmented reality experiences allow customers to virtually test products, such as clothing, cosmetics, or furniture, before making a purchase. This interactive and immersive approach enhances customer engagement and satisfaction, ensuring they make confident and informed decisions.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

6. **Smart Customer Assistance**: AI-powered customer assistance tools can address queries, complaints, and feedback in real-time. These smart assistance systems ensure customers receive prompt and accurate responses, leading to increased satisfaction and a sense of being valued.

7. **Anticipating Customer Needs**: AI can analyse historical data and current trends to predict customer needs accurately. Retailers can use this insight to introduce new products or services that align with customer preferences, creating meaningful offers that exceed expectations.

AI and ML technologies have allowed the retail industry to deliver personalised, proactive, and seamless experiences. Retailers can delight their customers, leading to increased customer loyalty, positive brand perception, and ultimately, business growth. The retail sector's growth is core to the prosperity of the Australian economy, as it fuels diverse employment pathways, stimulates consumer spending, and contributes significantly to overall economic stability and development.

The future of the retail sector is intrinsically linked to the widespread adoption of AI and ML technologies. Recognising this crucial connection, this paper emphasises the need for a flexible and continually informed approach to govern the responsible use of AI in the retail industry. By staying adaptable and well-informed, we can effectively address the evolving challenges and opportunities presented by AI, ensuring its ethical and beneficial integration into the retail landscape.

ARA PRIORITIES AND RECOMMENDATIONS

Recommendations: Definitions	
Definitions should be based on international standards and made openly available.	The definitions provided in the discussion paper lack the necessary depth and clarity to prevent potential misunderstandings. For improved understanding and consistency, it is suggested that these definitions align with International Standards and are made openly accessible to all stakeholders. This will ensure a common language and shared understanding of key AI concepts, fostering more effective communication and collaboration within the AI community.
Recommendations: Potential Gaps in Approaches	
Consideration should be given to Industry specific applications of AI which might be adversely impacted by generic considerations.	While Australia's existing regulatory approaches and industry-level guidelines may cover many aspects of AI risks, there are still potential risks that may not be fully addressed. Some of these risks include: • **Lack of specificity**: The ARA seeks to caution against a lack of specificity in the discussion paper's language, which could lead to unintended consequences for retailers seeking to leverage AI technologies to enhance customer experiences, streamline operations, and drive innovation. We caution that without due consideration to the retail sector and it's increasing utilisation of advanced analytics and AI, there is a risk that positive and beneficial AI applications may be subjected to the same level of scrutiny and restrictions as potentially harmful ones.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

	This could hinder retailers from fully realising the potential of AI to personalise customer interactions, optimise pricing, and enhance supply chain efficiency, among other benefits. Therefore, the ARA is advocating for a flexible approach, with sector-specific requirements, that acknowledge the unique challenges and opportunities AI presents in retail. • **Cross-border data sharing**: retailers increasingly rely on cross-border data sharing and collaborations with international partners. There could be risk related to data governance, jurisdictional differences, and potential conflict between different regulatory frameworks • **Consideration should be given to the regulatory approaches** adopted by our international partners. In this respect, care should be given when considering "banning" particular types of AI and the impact that may have on participation in a global technology ecosystem. Strong guardrails, or alignment to international standards, or codes of practice, should be considered. • **AI-enabled autonomous systems, robotics and computer vision**: With the advancement of AI technologies, the introduction of robotics and autonomous systems in the retail sector, such as cashier-less stores or delivery drones, present unique opportunities. Consideration should be given to AI, robotic and autonomous systems that span the digital-physical divide, to ensure seamless integration and operation without ambiguity in responsibilities. • **Blackbox AI systems:** the use of complex AI algorithms, such as deep learning models, can result in "blackbox" AI systems where the decision-making process is not easily explainable. Consideration should be given for the practical requirements of transparency in deep learning scenarios. • **Ethical use of AI in customer profiling**: AI-powered customer profiling and personalised targeting is a mutually beneficial capability for retailers and their customers. Establishing guidelines on issues such as excessive data tracking and algorithmic discrimination would enable the industry to self-regulate and uphold a unified standard.
The Australian Government can implement non-regulatory initiatives to support responsible AI practices. These initiatives focus on fostering collaboration, providing resources, promoting best practices, and establishing voluntary codes.	The Australian Government can implement several non-regulatory initiatives to support responsible AI practices. These initiatives focus on fostering collaboration, providing resources, and promoting best practices. Some examples include: • **Public-Private Partnership**s: Encouraging public-private partnerships can facilitate knowledge sharing, research, and development of ethical AI frameworks. These partnerships can bring together government agencies, businesses, academic institutions, and civil society to collaboratively address AI challenges and share expertise. A reference model for such

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

	Public Private Partnerships could draw on the learning of the Cyber Cooperative Research Centre (Cyber CRC). • **Voluntary AI Standards and Codes of Conduct:** Encouraging the development of an overall principles-based approach, with flexibility begin given through industry specific standards and codes of practice to embed the principles of trustworthy AI in everyday operations. Industry-led initiatives that adhere to ethical principles can gain public trust and encourage responsible AI adoption. • **Ethical AI Certification Programs:** Introducing voluntary ethical AI certification programs can help businesses demonstrate their commitment to responsible AI practices. Certifications can be awarded to organisations that meet predefined ethical standards in AI development and deployment. • **AI Impact Assessments:** Encouraging businesses to conduct AI impact assessments before deploying AI systems can help identify potential risks and develop mitigation strategies. These assessments can evaluate the social, economic, and ethical implications of AI applications. Overall, this approach is advised for higher risk applications only, whilst adhering to voluntary codes is recommended for lower risk applications. • **Education, Awareness Campaigns and Public Engagement:** Launching awareness campaigns and engaging the public in discussions about AI's benefits and risks can foster a more informed and supportive environment for responsible AI practices.
Ensuring the consolidation and seamless integration of proposed AI legislation across existing legislative streams is essential to mitigate potential conflicting outcomes. The ARA supports the establishment of a central office within government to coordinate AI policy.	Regulation of AI should be consolidated and streamlined with existing legislation; for example, the ongoing review of the Privacy Act 1988 in considering regulatory reform around: • How personal information is used in automated decision making. • Automated systems using personal information in direct marketing. A number of coordination mechanism options may be considered relating to public interest outcomes. **Public Interest Outcomes** To safeguard the public interest and ensure responsible deployment of AI by the government, the establishment of a dedicated policy and ethics body could be a prudent consideration. Such a body would play a role in ensuring that AI systems used by the government adhere to ethical principles, transparency, and accountability. This body can help oversee the responsible use of AI systems that align with the values and interests of the public.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

Recommendations: Responses suitable for Australia	
The ARA recommends governance measures, such as voluntary codes that promote best practices and the responsible use of AI in the retail sector.	1. **Ethical AI Guidelines for Retail**: Collaboration with Industry to develop sector by sector guidelines led by subject matter experts will create clarity in the sector and trust in the Customer base. 2. **AI Impact Assessments**: Some countries are considering or have implemented AI impact assessments for businesses that use AI technologies. These assessments would be helpful with high-risk applications of AI in the retail sector. 3. **Collaborative Industry Initiatives**: Retailers can collaborate on industry-wide initiatives to share best practices, insights, and experiences related to AI adoption. This can help foster responsible AI practices and create a supportive environment for innovation in the retail sector. 4. **Voluntary Certification and Standards**: Developing voluntary certification and standards for AI-powered retail technologies can help businesses demonstrate their commitment to responsible AI practices and build consumer trust. 5. **AI Talent Development**: Investing in AI talent development programs can ensure that the retail sector has a skilled workforce capable of understanding and responsibly deploying AI technologies.
Recommendations: Target areas	
The same AI Ethic principles should apply to public and private sectors but governance and regulation should be applied on a risk basis.	Applying the same AI Ethics principles to both Public and Private sectors can promote consistency in the overall governance of AI technologies. However, new governance and regulatory approaches should focus on high-risk AI applications regardless of who is applying the technology.
The ARA recommends a balanced approach to AI risk mitigation that combines generic principles with use-case-specific measures. This can help ensure responsible AI deployment while accommodating the diverse AI applications in the retail industry.	Generic solutions to the risk of AI are most valuable when addressing broad and common challenges that cut across various AI technologies and their applications. These solutions provide overarching principles and guidelines that can be applied universally, offering flexibility and adaptability. On the other hand, a use-case specific approach could be better suited to addressing unique risks and intricacies associated with some AI applications in retail. Here are some examples for the retail sector: 1. **Generic Solution** - Data Privacy Regulations: Data privacy is a critical concern in the retail sector, especially with the increasing use of AI-powered customer analytics and personalisation. Implementing comprehensive data privacy regulations can protect consumers' personal information regardless of the specific AI technology used.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

	2. **Usecase-Specific Solution** - Chatbots and Customer Service AI: Guidelines may be appropriate for AI-powered chatbots in customer service to ensure they are programmed to provide accurate and helpful information while maintaining ethical interactions with customers.
High risk AI applications should not be banned but subject to appropriate controls such as complete sandboxed operations.	High risk AI applications should be subject to appropriate levels of control, such as airgap or sandboxing through testing stages. It is important for Australia to stay up to date with the high-risk application of AI in order to meet threats with appropriate mitigation responses: such as countering AI facilitated scams or fraud.
Transparency requirements for high-risk applications will foster accountability, protect consumer rights, and build public trust in AI. Overregulating transparency requirements of lower risk applications will impede operations, service, and innovation in the sector. Future governance or regulations must strike a balance between transparency and business operations while safeguarding the interests of customers.	Some considerations for managing transparency requirements relevant to the retail sector are: Important Areas for Transparency in the AI Lifecycle: 1. **AI-Driven Personalisation:** covered by the Privacy Act review. 2. **Automated Decision-Making (ADM)**: Transparency is important when AI systems make significant decisions that impact the rights of individuals, such as credit approvals, or hiring. 3. **Data Collection and Usage**: Covered by the Privacy Act review. 4. **Ethical Considerations:** In scenarios where AI is used to make ethical decisions, such as in healthcare or customer service outcomes, transparency can help customers understand the ethical guidelines and principles used by AI systems. Introduce Transparency Requirements: 1. **Public Disclosure:** Implement a requirement for businesses, both in the private and public sectors, to provide clear and accessible information about their use of AI. This could include publishing AI usage policies, data handling practices, and any significant implications for customers. 2. **Explainability Standards:** Mandate that high-risk AI applications must be designed to provide explanations for their decisions in human-understandable terms, particularly in critical areas such as healthcare and finance. 3. **Algorithmic Impact Assessments**: Require organisations to conduct impact assessments for high-risk AI applications that may have impacts for individuals or society. These assessments should be transparently communicated to relevant stakeholders. 4. **Third-Party Audits**: Consider third-party audits of high-risk AI applications to ensure compliance with transparency requirements and identify any potential biases or ethical issues. 5. **Customer Consent and Control:** Establish clear guidelines for obtaining customer consent for AI-driven personalisation and other sensitive AI applications. Customers should have the ability to control their data and opt-out of certain AI-driven features.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

Recommendations: Risk-based approaches	
A risk-based approach is best suited to navigate the dynamic nature of AI technologies and their application.	The ARA supports a risk-based approach for addressing potential AI risks. A risk-based approach allows for a targeted and flexible regulatory framework, where resources can be focused on high-risk AI applications and use-cases, while lower-risk areas can benefit from a lighter touch of regulation. This approach enables a more efficient and effective allocation of resources to address the most significant AI risks. A risk-based approach also recognises that not all AI applications pose the same level of risk, and different sectors may have unique challenges. By tailoring regulatory measures to specific risks and contexts, the approach can better accommodate the diverse landscape of AI adoption across industries.
A risk-based approach can be beneficial for the retail industry, provided that it is balanced with clear guidelines, derived with industry collaboration, and is applied with technical neutrality.	From a retail industry perspective, a risk-based approach to addressing potential AI risks offers several benefits: • **Targeted Regulation**: A risk-based approach allows regulators to focus their efforts on high-risk AI applications and technologies within the retail sector. This targeted regulation ensures that resources are used efficiently to address the most significant risks, rather than applying a one-size-fits-all approach that may not be appropriate for all AI deployments. Furthermore, the approach should work from a position of technical neutrality, regulating the risk posed by the use-case not the technology. • **Flexibility:** The risk-based approach provides flexibility in regulatory measures, which is crucial in the fast-evolving AI landscape. As new AI technologies emerge and existing ones evolve, the regulatory framework can adapt to address emerging risk, ensuring that the retail sector can harness the benefits of AI while mitigating potential harm. • **Collaboration and Industry Engagement:** The risk-based approach encourages collaboration between regulators, industry stakeholders, and experts in the retail sector. This collaborative effort fosters better understanding of AI risks and solutions, as well as the development of industry-specific guidelines and best practices. • **Innovation Support**: By focusing on high-risk areas, the risk-based approach avoids stifling innovation in the retail sector. It allows for experimentation with AI technologies while ensuring that safeguards are in place to protect customers and maintain public trust. Despite these benefits, a risk-based approach may have some limitations: • **Subjectivity and Complexity:** Assessing and quantifying AI risks can be subjective and complex. Determining risk levels may involve a nuanced evaluation of factors like AI model complexity, data privacy implications, and potential consequences of AI failures.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002

	• **Resource Intensive:** Implementing a risk-based approach requires significant resources for risk assessments, monitoring, and ongoing evaluation. Smaller retail businesses or start-ups may face challenges in complying with such requirements. To overcome these limitations, the following strategies can be considered: • **Standardised Risk Criteria**: Developing standardised risk criteria and assessment frameworks can enhance consistency and objectivity in risk evaluation. This can be achieved through collaboration between regulatory bodies, industry representatives, and AI experts. • **Tailored Guidelines:** Providing clear and accessible guidelines tailored to the retail sector can assist businesses in understanding and navigating AI risks. These guidelines should offer practical advice on risk mitigation and compliance. • **Industry Knowledge Sharing:** Facilitating knowledge sharing and information exchange among retail businesses can promote better understanding of AI risks and best practices. Industry associations and public-private partnerships can play a crucial role in facilitating such exchanges. • **Regulatory Support for Smaller Businesses:** Regulators can offer support and resources to smaller retail businesses to help them comply with risk assessment requirements. This could include providing tools and guidance for risk self-assessment.
Small Businesses will require more support from Government in addressing risk assessment of AI application.	Larger organisations with more extensive resources and expertise may find it more manageable to implement a risk-based approach. They are better equipped to conduct comprehensive risk assessments, invest in AI governance, and develop mitigation strategies. Smaller organisations, on the other hand, may face challenges in conducting detailed risk assessments due to limited resources, but they can still benefit from simpler risk evaluation methods and standardised guidelines.
An AI risk-based approach could be implemented alongside existing cyber security, information policy, and privacy compliance processes.	Integrating AI risk assessment into the audits that companies undertake for information policy, cybersecurity, and privacy compliance could lead to cost reduction for both the government and businesses. By consolidating AI risk evaluation within existing certification processes, organisations can avoid the need for separate and duplicative assessments. This streamlined approach promotes efficiency and effectiveness, ensuring that AI-related risks are appropriately addressed while minimising administrative burdens for businesses seeking compliance.

Thank you again for the opportunity to participate in this consultation. Any queries in relation to this submission can be directed to our policy team at policy@retail.org.au.

Australian Retailers Association (ABN 99 064 713 718)
Level 1, 112 Wellington Parade, East Melbourne VIC 3002