

ARA SUBMISSION

SELECT COMMITTEE ON ADOPTING ARTIFICIAL INTELLIGENCE (AI)

MAY 2024

The Australian Retailers Association (ARA) welcomes the opportunity to provide comments to the Select Committee on Adopting Artificial Intelligence (AI)

The ARA is the oldest, largest and most diverse national retail body. We represent a \$420 billion sector that employs 1.4 million Australians – making retail the largest private sector employer in the country.

As Australia's peak retail body, 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 more than 120,000 retail shop fronts and online stores across the country and across all categories - from food to fashion, hairdressing to hardware, and everything in between.

EXECUTIVE SUMMARY

The ARA appreciates the opportunity to contribute to the inquiry on the adoption of Artificial Intelligence (AI) technologies in Australia, specifically focusing on its impact on reducing retail crime. The adoption of artificial AI in the retail sector is rapidly evolving, offering innovative solutions to combat retail crime and enhance security measures. While we acknowledge that AI holds vast potential for various functions to boost productivity in the retail sector, it's important to note that this paper specifically concentrates on the application of AI in combating retail crime.

In Australia, the Productivity Commission's report on AI regulation provides valuable insights into the transformative power of AI to drive productivity growth and innovation. However, it also discusses the need to use existing regulatory frameworks to address emerging challenges.

Retail crime poses a significant threat to businesses, consumers, and communities, resulting in substantial financial losses and tying up valuable police resources. Retail crime can also have long term impacts on the well-being of retail employees and the perception of retail as a safe workplace for students and older people, many of whom prefer the flexibility of casual retail employment. Traditional crime prevention methods have limitations, especially with a majority of law enforcement agencies across the country experiencing labour shortages, prompting retailers to turn to AI-driven solutions for a more proactive approach.

To promote responsible AI adoption, the ARA advocates for the implementation of a voluntary industry code of conduct. This code would provide clear guidelines and principles for ethical AI deployment, aligning with existing laws and regulations while fostering innovation and productivity growth.

The adoption of AI technology holds immense potential to enhance security measures and assist in policing efforts within the retail sector. By addressing challenges and promoting responsible AI adoption through a voluntary industry code of conduct, retailers can harness the benefits of AI while ensuring ethical and transparent deployment.

DISCUSSION

Understanding the use of AI Adoption to combat Retail Crime

The global landscape of AI adoption in various industries, including retail, is evolving rapidly. Legislators and regulators worldwide are grappling with the challenges of regulating AI technologies while fostering innovation. Recent examples, such as the EU AI Act and the ongoing efforts of standards development organisations (SDOs), highlight the complexities involved in balancing regulatory oversight with technological advancements.

In Australia, the Productivity Commission's report on AI regulation provides valuable insights into the potential of AI to drive productivity growth and innovation. However, the Productivity Commission also discusses the need for careful consideration of existing regulatory frameworks and the identification of gaps to ascertain where additional governance measures may be necessary – if at all.

Retail crime poses a significant threat to businesses, consumers, and communities, with estimates suggesting billions of dollars in losses annually. Traditional approaches to crime prevention, such as security guards and CCTV cameras, have limitations in addressing sophisticated criminal activities. AI technologies offer a more proactive and predictive approach to retail crime prevention by leveraging advanced analytics and machine learning algorithms.

One notable example is the use of AI-powered tools. Post-event retail crime reporting platforms enables retailers to have better visibility of the size and scope of all crime occurring in store, and of the offenders perpetuating the majority of the violence and harm. Through additional technology, like Automatic Number Plate Recognition (ANPR) retailers can have real-time notifications of previously reported offenders arriving on site, including information on whether they are known to be violent and / or armed - safeguarding retail workers and customers. Retailers are empowered by data and solutions to help safeguard their people, assets and most importantly, maintain customer trust.

The ongoing labour shortages in law enforcement agencies across the country has highlights the need for innovative approaches to bolster security and safety in retail settings, and combat retail crime. In this context, the adoption of AI technology emerges as a promising solution, offering retailers advanced tools to enhance security measures and assist in policing efforts. By leveraging AI-powered solutions, retailers can proactively identify and mitigate various forms of criminal activities, including theft, fraud, and coordinated organised retail crime.

The integration of AI technologies, such as machine learning algorithms and predictive analytics, enables retailers to analyse vast amounts of data in real-time – in some instances the technology can identify patterns of suspicious behaviour and alert staff in real time to help respond swiftly to emerging threats. Moreover, AI-driven surveillance systems equipped with facial recognition capabilities provide retailers with enhanced capabilities to monitor and track individuals involved in criminal activities, increase reporting rates, thereby deterring potential offenders and improving overall security levels.

With the increasing prevalence of AI in retail crime prevention, it becomes essential for the government to prioritise public education regarding AI usage. Consequently, it becomes imperative for retailers to cultivate public trust in their AI utilization practices.

The ARA advocates for the implementation of an Industry Code of Conduct concerning the responsible deployment of AI. Through the establishment of precise guidelines and standards for AI integration—led by the industry—both policymakers and the public can rest assured that retailers will employ these technologies ethically, safeguarding consumer privacy, mitigating biases, and upholding ethical standards.

In summary, the adoption of AI technology holds immense potential to bolster security measures and assist in policing efforts within the retail sector. However, regulations need to be in place to safeguard the ethical use of AI by retailers, ensuring that these technologies are deployed responsibly and in compliance with relevant legal and ethical standards.

Benefits and challenges of AI Adoption

The integration of AI technology within the retail sector presents a multitude of advantages and hurdles, each shaping the landscape of modern commerce. As retailers increasingly embrace AI-driven solutions, they unlock new potentials for growth, efficiency, and customer satisfaction. However, amidst these transformative opportunities lie challenges that demand attention and resolution to ensure responsible and effective AI utilisation.

One of the most pressing challenges faced by Australian retailers is the staggering cost of theft, which amounts to \$9 billion annually. Not only does theft inflict substantial financial losses, but it also ties up valuable police resources. Moreover, research indicates that a significant portion of thefts—60 percent—are carried out by the same 10 percent of individuals who are four times more aggressive towards retail staff, posing safety concerns and exacerbating the challenges faced by frontline workers.

In response to these challenges, retailers are increasingly turning to AI-driven solutions to bolster their security measures and combat theft but also improve efficiency. The latest developments in retail technology include self-scanning trolleys that have the potential to revolutionise the shopping experience by integrating AI capabilities into the checkout process.

Smart Carts will allow customers to scan and weigh items as they navigate the aisles, eliminating the need for traditional checkout counters. By tapping their credit card or payment system to access the cart, shoppers shopping experience will begin and end with the cart itself. The AI-powered trolleys not only streamline the checkout process but also provide additional functionalities, such as guiding shoppers around the store and offering interactive maps for added convenience.

Moreover, AI-driven surveillance systems may assist in providing retailers and law enforcement enhanced capabilities to create safer retail environments through the use of silent alerts when individuals are undertaking criminal activities. This in turn will likely increase reporting rates, thereby deterring potential offenders and improving overall security levels

One provider of crime intelligence and incident reporting software, plays a pivotal role in helping retailers combat aggression and assaults towards retail staff, retail crime and enhance security measures. Leveraging cutting-edge technology and advanced analytics, the technology allows retailers to proactively identify and respond to criminal activities, thereby safeguarding their assets and protecting their staff and customers. Importantly, it has helped to make made reporting crime easier, although to date it is not integrated into any police reporting systems and a separate police report is still required.

However, amidst the promise of AI-driven advancements, retailers must also navigate inherent challenges and complexities. One significant concern is the cybersecurity implications associated with AI adoption. The proliferation of AI-powered technologies increases the risk of data breaches and cyber-attacks, as cybercriminals may exploit vulnerabilities in AI algorithms to gain unauthorised access to sensitive information. To mitigate these risks, retailers must prioritise cybersecurity measures, implementing robust security protocols, encryption of data, and regular security audits. Furthermore, employee training programs are essential to raise awareness about potential cyber threats and ensure adherence to security best practices.

As already mentioned, ethical considerations surrounding AI adoption in retail demand careful attention. Issues such as algorithmic bias, data privacy and transparency pose significant challenges that require resolution to ensure responsible and ethical AI utilisation.

Responsible AI Adoption: The Case for a Voluntary Industry Code of Conduct

To promote responsible AI adoption in the retail sector and address the challenges associated with it, the ARA proposes the development and implementation of a voluntary industry code of conduct. This code would serve as a guiding framework for retailers, offering clear guidelines and principles for the ethical and transparent deployment of AI solutions while still fostering innovation without additional burdensome regulations.

At its core, the industry code of conduct would draw upon international standards and best practices, providing retailers with a comprehensive set of guidelines to navigate the complexities of AI adoption. One key aspect of the code would focus on data privacy, emphasising the importance of protecting consumer information and ensuring compliance with relevant privacy regulations. By prioritising data privacy, retailers can build trust with their customers and demonstrate their commitment to safeguarding sensitive data.

To bolster the case for a voluntary industry code of conduct in the retail sector, it's crucial to consider insights provided by the Productivity Commission regarding AI's potential to enhance productivity growth and the existing regulatory landscape surrounding AI implementation.

While AI introduces new challenges and complexities, such as the potential for consumer deception and anti-competitive behaviour facilitated by AI algorithms, it's important to recognise that many of these issues are already addressed by existing laws and regulations. Consumer protection, competition, privacy and anti-discrimination laws offer a framework for governing AI applications, albeit with acknowledged limitations that may need to be revisited and refined in light of AI advancements.

However, rather than advocating for the creation of new laws specifically tailored to AI, the focus should be on examining and enhancing existing regulations to ensure they remain relevant and effective in the AI era. The Productivity Commission emphasises the importance of clarifying how existing laws and regulations apply to AI use cases, rather than introducing redundant or duplicative legislation. This approach acknowledges the adaptability of current regulatory frameworks while also recognising the need for targeted adjustments to address emerging AI-related challenges.

In this context, a voluntary industry code of conduct can play a pivotal role in promoting responsible AI adoption within the retail sector. By aligning with established laws and regulations governing consumer protection, competition, privacy and anti-discrimination, the industry code can provide retailers with clear guidance on ethical AI deployment practices. Moreover, it can facilitate collaboration between industry stakeholders, policymakers and regulatory bodies to ensure that AI initiatives adhere to legal and ethical standards while fostering innovation and productivity growth.

Additionally, the industry code of conduct would emphasise the importance of accountability, requiring retailers to take responsibility for the outcomes of their AI deployments. This includes establishing mechanisms for monitoring and auditing AI systems, as well as implementing processes for addressing any issues or concerns that may arise.

Overall, the industry code of conduct would provide retailers with a roadmap for responsible AI adoption, guiding them through the complexities of implementing AI solutions while upholding ethical standards and

meeting societal expectations. By voluntarily adhering to this code, retailers can demonstrate their commitment to responsible innovation and contribute to the advancement of AI adoption in the retail sector.

CONCLUSION

This submission discusses the transformative impact of AI adoption in the retail sector, offering innovative solutions to combat retail crime and enhance security measures. However, to fully realise the potential benefits of AI, it is imperative to address challenges and promote responsible adoption practices.

The establishment of a voluntary industry code of conduct, as advocated by the ARA, offers a promising framework for ethical AI deployment. By aligning with existing laws and regulations and fostering collaboration between industry stakeholders and policymakers, retailers can navigate the complexities of AI adoption while upholding ethical standards and meeting societal expectations.

As demonstrated, AI emerges as a potent tool for retailers in combating retail crime. However, its utility extends beyond this domain to encompass a myriad of other functions. For instance, AI can be leveraged for personalised customer recommendations, dynamic pricing strategies, inventory management optimisation, and predictive analytics for supply chain optimisation.

Responsible AI adoption holds the key to unlocking the full potential of AI technology in the retail sector. By prioritising cybersecurity measures, addressing ethical considerations, and adhering to a voluntary industry code of conduct, retailers can harness the transformative power of AI to drive innovation, enhance security measures, and deliver exceptional customer experiences.

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