Contributions to the AI pilot - EuroCommerce

EuroCommerce

EuroCommerce is the voice of over 5 million retail, wholesale and other trading companies. Our members, which include 32 national federations from all the EU Member States and those that are located outside the EU, 36 leading European retail and wholesale companies, and federations representing specific retail and wholesale sectors serve as a link between producers and consumers billions of times every day.

Summary

Artificial Intelligence (AI) has come to the forefront of discussion among businesses, decision-makers and the larger society. Many retailers and wholesalers use and develop Artificial Intelligence applications in their operations. In most cases, AI applications used by retailers and wholesalers carry no direct impact on risks for individuals.

AI can offer significant benefits not just to businesses, but also to consumers. EuroCommerce welcomes the ambition to make the European Union a leader in human-centric Artificial Intelligence. To secure a future-proof framework that will support an innovative and competitive retail and wholesale sector, EuroCommerce believes that:

➢ **AI related policy initiatives should be designed to be future proof and proportionate while at the same time not hindering innovation and technological development.** In particular, the Trustworthy AI Guidelines should be understandable for everyone they affect, from developers to researchers and end-users. To ensure European business can become leading in developing AI technology, it cannot be ignored that countries like China and the US have a big head start. European businesses can only take up the pace if the EU develops a business-friendly environment enabling our businesses to do what they do best.

➢ **Before promulgating new regulation, the European Union should assess whether existing rules and regulations are still fit for purpose** in light of technological development, and whether such rules are properly implemented and enforced. Additionally, all future AI policy initiatives need to be based on a robust impact assessment which would help identify existing gaps and ensure a targeted approach to regulation.

➢ **Policy makers should take full account of the specificities of each AI application** and how such applications will be used. Guidance and regulations on AI should reflect use to secure proportional obligations that are supportive of competitiveness and empower businesses and citizens alike.

AI for retail and wholesale

Retailers and wholesalers have been using Artificial Intelligence and automation technologies for many years to improve their competitiveness and provide a better consumer experience. AI has enabled our sector to optimise its operations and better meet customer expectations, by ensuring faster deliveries, better predictions of customer demand, stock management, fraud detection, safer payments and making it more sustainable. The sector is using AI in all stages of the supply and value chain. AI has an enormous potential to benefit both consumers and businesses. **The adoption and overall success of AI technology in retail and consumer product sectors will depend on customers' acceptance and trust. Access to data and creating strategic partnerships in the supply chain will be the key factors for success.** The retail and wholesale sectors use AI across their business operation and the consumer experience, most generally without impacting individuals:

Business Operations – can be improved through the use of AI, notably in areas such **as product development, stock management, distribution and transport**:

1) **Product development and testing:** AI helps retailers understand how people approach buying and using products and whether a specific design will be successful. This saves companies from multiple iterations of product testing and millions in terms of research and development. The development of a new food product can be reduced by AI up to 70%.

2) **Stock management:** Manual inventory management is replaced and done more efficiently and accurately with AI applications. **AI, helps retailers keep track of stock and purchase orders, ensure that inventory is replenished and maintained at optimal level.** Some retailers use AI to assess the quality and ripeness of fruit and vegetables, and sort them for delivery. Automated ripeness detection systems for fruit and vegetables can ensure reliability for online grocery shopping customers, as well as contribute to a significant reduction in food waste.

3) **Forecasting and predicting demand***: AI improves the accuracy of demand forecasting by measuring all available parameters. Retailers can rely on AI to better understand consumers' taste/preferences and assess their clothe size online, thus helping the customer choose the right products more quickly, while considerably reducing, remaining stock, return rates and the costs related to them. This results that our sector is more sustainable and environmentally friendly.

4) **Logistics, distribution and transport:** AI is used for intelligent route optimisation, for logistics operators to efficiently pick up and deliver shipments, as well as for optimising on-time delivery performance, and providing information for future service improvement thereby reducing the environmental impact of transportation.

Consumer Experience, whether in stores or online, is made much easier, safer and more efficient with AI through:

1) **Personalisation, product recommendations, and consumer relationship-building**: Retailers have been using data for decades to understand and connect with customers. Personalisation includes, for example, fashion retailers offering personalised online landing pages that, only display clothing available in the customer's size. This saves time for the consumers, also reducing return rates significantly – thus also improving environmental footprint of retail.

2) **Assisting consumers:** Chatbots can help respond to consumer queries and complaints in real time and at all times of the day, thereby increasing customer satisfaction. Voice assistance, still in its infancy, is expected to gain increasing popularity among consumers. Virtual Reality (VR) and Augmented Reality (AR) have the potential of huge benefit for consumers by helping them make the best choice possible. Furniture retailers are using AR to allow shoppers to see what a product might look like in their homes before they make a purchase. The technology can also show the texture of fabric giving an online buyer a better appreciation of a product. Cosmetics companies let customers take their picture to try on make-up products via AR and receive customised suggestions for looks to try.

3) **Ordering, payment and checkout:** AI makes payment processing more intelligent, more tailored to customers' needs and better equipped to reduce financial risks and cut fraud. Every second a digital transaction is being made, by using bank transfers, debit cards, credit cards, e-wallets and mobile wallets. Fraud rises commensurate with this increasing volume of online transactions, making the traditional fraud detection systems outdated. Additionally, retailers have been installing cashier-less payment systems in their shops for decades, paving the way for checkout-less payment where retailers use embedded sensors, deep learning and computer vision to help automate the process. All these technologies combined will allow for a more seamless shopping experience for the betterment of consumers.

4) **Delivery:** AI-powered autonomous vehicles and optimised routing systems can deliver cost reductions for many businesses and reduce the environmental impact of deliveries.

AI for retail and whosale

POLICY ISSUE	Stage	APPLICATION	
• Access to data • Security • Product liability	Product Development	• Trends forecasting in design • Ordering of raw materials	**Business Operations**
• Security • Access to data	Transport to warehouse	• Autonomous fleet, • Intelligent route optimisation, • Smart logistics	
• Product liability • Access to data	Stock management	• Robots, • Automated inventory systems	
• Access to data	Transport to retailer	• Autonomous fleet, • Intelligent route optimisation	
• Privacy, • Discrimination • Transparency	Personalisation, product recommendation, and marketing	• Voice shopping, • Chatbots, • VR, • AR, • Intelligent profiling tracking	**Consumer Experience**
• Privacy	Search and ordering	• Chatbots, • Voice shopping	
• Privacy • Security	Checkout and payments	• Fraud detection, • Checkout-less stores	
• Privacy, • Access to data • Security	Fulfilment to consumer	• Delivery drones • Robots	
• Privacy	Consumer support and retention	• Chatbots	

Trustworthy AI is already on the way

While industry explores the benefits of AI for improved customer interaction and by optimised operations, policymakers, regulators, consumer groups and business representatives have been discussing ethical and legal aspects of AI.

Businesses are already complying with existing EU laws that provide safeguards to AI development and use, as set out in the General Data Protection Regulation (GDPR), Platform to Business Regulation, Product Liability Directive, Machinery Directive, General Product Safety Directive, Radio Equipment Directive, Low Voltage Directive, Network Information Security (NIS) Directive, EU Cybersecurity Act, Geo-blocking Regulation, New Deal for Consumers and The Charter of Fundamental Rights – to name a few relevant pieces of legislation

The EU will have to address implications of new AI applications as they arise. As a sector, we are committed to ensure that future legislations will support a competitive and innovative retail and wholesale sector, while empowering citizens and business alike.

- *Liability* should take into consideration the roles that different players have in the supply chain. Retailers and wholesalers should only be held accountable for what is truly in their sphere of responsibility.
- *Transparency* must be one of the central concepts guiding the implementation of AI. The legal framework for algorithmic transparency and accountability is already covered under the GDPR and should be first properly implemented, before any new measures are introduced. Transparency should be provided for while not undermining competition or innovation.
- *Privacy* should rely on the concept of accountability and risk-based processing, as well as on the robust set of technology-neutral privacy principles that GDPR has introduced – including privacy by design and by default, and data protection impact assessments.
- *Security* standards should focus on products and applications, irrespective of whether the technology used is AI or not. Whether a product needs to fulfil European safety standards should not be different for AI-powered products.
- *Non-discrimination.* We fully support the principle that AI should not be biased or discriminatory and that there should be systems in place that are human-centric and subject to human oversight and can offer explainability. Future legislation should take into account current rules that already cover potential discrimination, both direct and indirect, by AI or other technologies, such as the EU Charter of Fundamental Rights and Human Rights

Only a future-proof legislative framework will make the European union a global leader in AI

- *Implementation and enforcement of existing EU law.* All upcoming AI policy initiatives should be in line with already existing or developing rules that govern issues relevant to AI.
- *AI Application focus.* When drafting Guidelines and AI regulation, regulators should look at how AI applications are being used in practice. Not all AI applications are used in the same way in every sector with the same level of risk. For example, similar AI technologies are used for shelf scanning and medical diagnosis. However, these applications carry very different levels of risk and privacy issues and require different safeguards. Discussion is needed on how AI applications should be treated in light of whether they have an impact on people, the risks involved regarding safety and rights of individuals, and whether ethical principles are relevant. This process will determine whether new policies and laws are needed.
- *Future-proof regulation with a light touch approach.* It is important to ensure that AI and other upcoming technology policy initiatives are flexible, fair, proportionate, clear, and leave sufficient room for the competition to develop. Taking into consideration the speed of technological development (especially looking at China and US, where no European rules are applicable), whatever is adopted today will be quickly outdated. All future AI policy initiatives need to be able to fulfil their main objectives, while being future-proof and to support innovation.
- *Understandable for all stakeholders.* Practical and understandable regulation should be one of the key driving principles of any AI policy initiative. All the relevant stakeholders, from developers to researchers and users, should be able to understand and use these. They should be written in a short format, in a simple, understandable language and easily applied in practice.