Intro	You're listening to *The Influencers*: Digital Transformation, a Hogan Lovells podcast exploring how technology is reshaping industries, regulation and the practice of law. Each episode features conversations with the leaders driving change, offering insights to help you navigate innovation with confidence. This is Season 4.
Leo von Gerlach	Hello everybody and welcome to another edition of *The Influencers*, our podcast conversation on digital transformation and law. I'm Leo von Gerlach and with me today is Caroline Reppert. Caroline is senior director for AI and technology policy at the National Retail Federation (NRF) in the US. Caroline is the ideal conversation partner in that position for all topics on the edge of retail, e-commerce and the deployment of AI in these fields. So Caroline, welcome to the show.
Caroline Reppert	Thanks so much for having me, Leo.
Leo von Gerlach	Caroline, before we go into AI, could you just give us a quick tour of the NRF membership, so that we have an idea who you cover under your umbrella.
Caroline Reppert	So, NRF is the largest trade association that represents the retail sector in the United States. We work with everyone from the biggest of the big retailers all the way down to mom-and-pop stores on Main Street. A big part of my job is hearing from all of those stakeholders and that breadth of the ecosystem is what really informs all of our work at NRF, but especially the policy work, which is the bulk of my job.
Leo von Gerlach	When you look at all these different types of stakeholders, from e-commerce, from brands, from different types of retail, what AI topics would they typically have?
Caroline Reppert	First off, retail Is using AI in a variety of different manners. You're seeing some on the customer facing side, so things like customer service chat bots, personalization capabilities, things like that.

On the internal facing side, you're seeing things like supply chain management, cybersecurity, you know, safeguards, even things like fraud prevention and protection. |

	A lot of opportunities on the worker side of things, so, for example, there is some members that have workforce apps and those apps are now being trained on their employee manual. So, if a customer has a particular question and an employee is new or doesn't know the answer, instead of calling a manager over, they can now consult these types of apps that are trained on their employee manual and that way it's a more positive customer service interaction. It empowers the employee and also makes the manager's time a bit more efficient so that they can continue to go on about whatever other tasks they're doing. So that's kind of how a lot of retailers are using AI. When it comes to some of the concerns and questions that we're seeing, I think most of them really come down to questions of transparency. So, when it comes to the technology itself, obviously AI intersects with so many different issue areas and that's one of the things that makes it so interesting, but also really complicated problems to solve. So, if you are in a legal or compliance role, how is AI being used within your organization? Making sure that you have clear transparency into those use cases and making sure that they align with all of the internal guidance that you have. And then on the technical side, how are third parties using AI? How are they intersecting with the ecosystem that you are very carefully curating within a retail environment. And then even if you're a small business, there's a lot of jargon and hype when it comes to AI. So, if you're a small business looking to wade into this, how do you cut through that hype and find tools that solve the problems that they promise to solve in a way that works for your brand. That's really what a lot of retailers are trying to gain insight into it, you know, it comes down to this transparency thing.
Leo von Gerlach	Well, that has opened a very, very broad view into just many things. So, you touched on internal communication to automate processes, customer support and make that more efficient and make that automated. You touched on cybersecurity. You even touched on things like supply chain and workforce management. So, so many things in there. Then I think how that translates into some more conceptual issues like transparency. So if you break this all down and distil it to where you think this is kind of the biggest pain point or the few biggest pain point for the majority of your member organizations, what would those be?
Caroline Reppert	Yeah, kind of using this transparency idea as an overarching umbrella. That aside, if you're getting into specific threats and risks that AI poses to a retailer, the obvious one is fraud and cybersecurity risks. You know, where there are all these stories coming out of it about AI being used and increasingly sophisticated attacks, cyber-attacks, fraud schemes. So, the pressures for the CISOs, the CIOs, that community, they're increasing as well. And the good thing about AI is as much as the bad guys are using it for nefarious activities, the good guys also have increasingly sophisticated

	defense capabilities as well, so that's great to see. But you know, when you're talking with a lot of the entities that are working on these issues, like I said, the CISOs, the CIOs, the CTOs, they're already being asked to do more with less increasingly. And as these threats continue to advance, the pressures on them continue to increase as well. The other part of it, too, the cybersecurity piece aside, if you want to dive into some of the fraud concerns, especially as we're heading into the holiday season for retail, that's a huge time of year. Retail is a very, very seasonal type of work. So now you know, where it's not just fraudsters trying to take your credit card numbers and stuff like that, but also things like AI being used for image generation of fraudulent products. So, say you see an ad on a website for a particular item that you've been interested in purchasing for a great price, you click on the ad and it takes you to a fraudulent website that looks deceptively like the real website. So you know all of those capabilities are supercharged using AI. So that's another major concern for retailers and their partners as well.
Leo von Gerlach	I understand that there are several risks. So, there's the risks of avoiding damage created by bad actors that you just touched upon at the very end of what you just said but then there is this risk of losing out and I understood from what you said earlier, this risk of not living up to this efficiency promise that AI carries for organizations, and of course also in retail. And maybe that's a nice inroad for questions about policymaking and your specific area of expertise. What would you, on behalf of your members, just expect most from policymakers? Are these issues of more standardization? You mentioned transparency earlier; how could that be supported? Is there more harmonization? What are the issues that policymakers should focus on to support your members?
Caroline Reppert	It's a great question and that's what I spend the bulk of my time really focusing on at NRF. At a very, very basic level just to start these conversations, deployers have to be involved in these conversations. Maybe not in the same exact way the developers are, but they have to be at the table in a significant way for a long time and I think this trend has changed or is changing, especially over the last year or so, I've seen a shift in this. But for a long time, the idea was that AI policy should be made primarily through conversations with the developer community, with the large tech companies that are building these tools and these capabilities. And obviously that is a huge part of the ecosystem and that's where those conversations start nut it's not where they end. Communities, like retail, healthcare, financial services, manufacturing, all these other parts of the economy that are deploying these tools at scale, where honestly, most of, you know, most consumers, that's where they're going to interact with AI, is through these different communities and these parts of the ecosystem. So, making sure that the deployer community is involved in these conversations is just as important as the developer piece.

| | Now, once we're at the table and like I said, I think we're, you know, all of us, all deployers are really making some big, big strides in this. And I think there's a realization that the ecosystem is a lot more complicated than just the developers, when it comes down to the specifics of the policy, you mentioned harmonization and transparency, that's a huge piece of it.

Obviously, there's a lot of existing rules and regulations on the books, and honestly, I think a lot of them could be applied to AI instances. They just need to, we need to be clear that they actually do apply in those instances and if they don't explicitly, but they could easily be tailored to do so, making sure that that language is explicit.

So, I think that's a huge one is the evaluation of existing rules and regulations to make sure that they apply to AI as needed and then we can fill in the holes, if they don't.

The other big piece is taking a risk-based approach to policymaking. There are lots of different ways to regulate AI. You know, we've seen in the EU basically going for one, one big bill and trying to regulate the technology that way. In the US, we're seeing it more in terms of taking a risk-based approach by targeting those instances where AI is used for, we call it consequential decisions. So, instances that really have this profound impact on your life. Things like, if you're approved for a mortgage or not, if you're able to rent an apartment, hiring or promotion decisions, healthcare decisions; these things that have huge implications for the rest of your life essentially. So, making sure that we tackle those high-risk use cases first before we get to the rest of the ecosystem. The needs there are just significantly more urgent. And I think the other big piece too is that the federal government taking lead on this. In the US, we're seeing states really step up and take lead on a lot of these issues, and the federal government has been relatively slow to act on this. But that said, it is creating this patchwork of rules and regulations that it's just not sustainable in the long run for companies to comply with, especially small companies. This is really an area where the federal government should take lead. |
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| Leo von Gerlach | Well, thank you for talking us through your playbook and in particular your playbook on a procedural level in such a detailed manner. I think that has been very, very useful. But taking that perhaps one step further into the substance of things, is there any magic source in terms of enticing the policymakers to move actually into one or the other direction, so just give them a push and get them going? |
| Caroline Reppert | That's a really great question. I think there are so many people working on this, you know, not just in DC, everywhere, and policymakers understand the urgency to this. So, we are starting to see some progress, and I think this issue in terms of actually getting the ball rolling, gets at this broader concern of, you know, the technology is moving so quickly and that's one of the things that kind of makes AI really unique and the government is not |

	necessarily designed to do so. At least the US government is not. But I would argue most governments are not designed to do so So, part of these policy conversations is how do you create general rules to the road that can serve as some guardrails to this technology, balancing this need for safety and protection while also still not hindering the innovative potential of the technology, which is already a delicate balance to figure out. In terms of making sustainable policy, what exactly does that look like? Is it something like independent verification organizations? Or, you know, third party authentications? Is it a particular government agency? Is it a new government agency? What makes sense in terms of, you know, because we can't rely on Congress to continuously pass bills to regulate every new iteration of this technology. It just, you know, that's again, that's not the way the government is designed. So, what makes sense in the long run to continue to have those guardrails, but in a way that advances as the technology does as well, while not hindering innovation. I think that's one of the big questions that we're all working to solve.
Leo von Gerlach	Very, very insightful. So, thank you for that and perhaps to conclude, there is also the consumer side of the whole retail business and that leads to questions, how well are they protected? How much do the retail organizations need to invest into secure communication, data security, digital resilience? Perhaps a word on that fine balance between protecting your members, customers, the consumers and the kind of commercial and other needs of your members.
Caroline Reppert	Yes, I'm so glad you asked about that. I mean, ultimately, retail is a consumer driven business. Retailers are always going to meet consumers where they are and consumer trust is the most important thing in the retail community. We are a low-friction type of business model. So, if a consumer has a negative experience with a particular retailer, there's nothing that keeps them from shopping there. It's not like a healthcare system or a banking system where it's really hard to switch from one to the other. You know, if you would rather shop at retailer A as opposed to retailer B, that's completely in your power to do so. So, in order to maintain competitiveness and maintain consumer trust, retailers invest heavily in making sure that all of their consumer data is very, very secure. You know, there's nothing retailers, you know, will never jeopardize the trust of their consumers. So obviously, AI tools make the security of those programs that much more essential and it goes back to that transparency piece, making sure that it's very clear where all the consumer data is going and what it's being used for. But ultimately, like I said, retailers are never going to do anything that jeopardizes the consumer trust.
Leo von Gerlach	Caroline, thank you so much for many incredible insights. It has been fascinating listening to you. So, thank you once again and thank you all for listening and I hope you join us soon for the next edition of *The Influencers* that will be coming up soon. Until then, take care. Goodbye.

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