



# FOSTERING CONSUMER TRUST — ETHICAL ARTIFICIAL INTELLIGENCE IN E-COMMERCE

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**FOSTERING CONSUMER TRUST –  
ETHICAL ARTIFICIAL INTELLIGENCE  
IN E-COMMERCE**

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# Executive Summary

## Promotion of Consumer Protection under the Irreversible AI Trend

With the wide adoption of Internet-connected devices and advancement of cloud computing technologies, artificial intelligence (AI) has become a mainstream technology today. Currently, there is no widely accepted definition of AI. AI generally refers to a family of technologies that involve the use of computer programmes and machines to mimic the problem-solving and decision-making capabilities of human beings. AI-related technologies are still evolving, and more new applications will likely emerge.

In recent years, the development of AI has expanded rapidly from academic research to commercialisation. Traders have increasingly leveraged AI to save costs, to enhance operational efficiency, and to generate new business insights to fuel growth. With no doubt, AI brings benefits to the society on different aspects, and it is well recognised as an irreversible trend to enable transformation in many countries around the world. E-commerce is one of the key markets that adopt AI widely.

Yet, there are also inherent risks related to AI which might affect consumers and the society. Traders might extract consumers' personal data online at a low cost, and use the data with AI algorithms at the back-end operations for their own benefits, which might result in significant implications for consumers in terms of product pricing, choices, and search results. For example, personalised pricing could turn to be a practice of price discrimination against an individual consumer; biased rankings and fake reviews generated by AI could manipulate consumers' choices. These might distort market competition and harm consumers. **From a consumer protection perspective, the imbalance between consumers and traders in terms of information possession and bargaining power in this digital era must be addressed.**

## The Study

In Hong Kong, as e-commerce blossomed on the Internet, online shopping has become Hong Kong consumers' daily activity, particularly after two years staying at home to fight against the pandemic. While the adoption of AI in e-commerce is growing fast, AI-associated risks are also increasingly evident. Acknowledging the importance of studying the topic, the Consumer Council (the Council) conducted a study on the use of AI in E-commerce in Hong Kong, titled **"Fostering Consumer Trust – Ethical AI in Hong Kong"** (the Study). The Study aims to identify key issues concerning consumer rights when traders use AI, and to propose recommendations for consideration of the HKSAR Government (the Government), traders, and consumers. The Council believes that the findings of the Study could offer clear directions on strengthening the digital governance in Hong Kong, especially in the field of AI usage, and advocate meaningful measures in safeguarding the interests of consumers.

The scope of the Study is confined to B2C e-commerce, excluding banking services and insurance products. The Study took a mixed-method approach comprising a quantitative online consumer survey; review of popular e-commerce platforms (AI applications and public information on websites); in-depth interviews with e-commerce traders, technology providers and industry experts in Hong Kong; desk research on guidelines, initiatives and standards about the use of AI in selected jurisdictions, as well as related consumer issues around the globe.

In the course of the research, the Council encountered challenges in securing interviews – apart from difficulty in arranging interviews due to the pandemic, traders’ hesitation in sharing their experience with the Council was another obstacle as some of them considered AI strategies a sensitive topic. Furthermore, given some AI applications could be powered by AI, rule-based programmes, or both simultaneously, the Council could not verify whether consumers’ experience of using such applications were really related to AI in the consumer survey. The Council could only provide case scenarios to guide consumers before they provided responses.

## Consumers’ Perception in AI and Privacy Protection

Revealed by the Council’s online quantitative consumer survey of 1,219 respondents in Hong Kong (aged 15 or above who have visited local or non-local e-commerce websites), local consumers are quite active in e-commerce. 77% of the respondents visited or made purchases at online stores on either a daily or a weekly basis. Yet, **consumers’ familiarity with AI is still low** – up to 75% of the respondents were unfamiliar with it. Some consumers remain sceptical and conservative at the current stage when it comes to their attitude towards AI. In terms of their AI tool using experience, only 57% agreed that AI helped reduce their time spent in choosing products, 41% agreed that AI addressed their needs accurately, and 31% agreed that they trusted AI. Although traders’ adoption of AI has been more common, there are still a lot of rooms to improve to reach a high level of consumer satisfaction with AI.

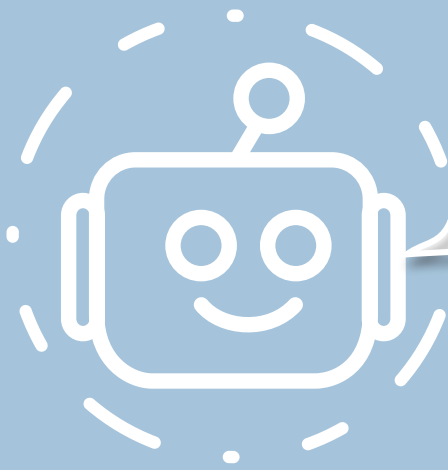
The majority reflected that they had worries and concerns about how traders adopt AI. 74% of the respondents said that they were worried about the excessive data collection of traders, while 72% were worried that if AI algorithms went wrong, no one will be responsible for the problems caused. Besides, information transparency and the choices to opt in and opt out are important in the eyes of consumers. 78% hoped traders to inform them about the use of AI, while 81% of the respondents urged to have the right to opt for the use of AI tools. Consumers thought that there should be clear disclosure on the risks and ways to avoid them.

The consumer survey also reflected that 74% of the respondents had the view that AI would become more popular in Hong Kong in the next five years. In general, 77% of the respondents agreed that more education on AI was needed.

Notwithstanding consumers’ concerns about cybersecurity and privacy protection, they do not act cautiously in practice when shopping online. For instance, nearly 60% of the respondents had never read privacy policies at online stores or did not know what privacy policies were, and 27% of them simply neglected the cookie consent messages that popped up from the platforms they visited without choosing whether to accept or decline traders’ tracking. To change their online shopping habits, consumer education is indispensable.

Furthermore, among those who had read privacy policies before, 43% of them had terminated browsing an online store, mainly because they found too much of their information would be gathered, too many third-party organisations would receive their personal data and the number of purposes for which their data was collected was excessive. Consumers stopping browsing a website after assessing the risks involved is an effective way to protect themselves.

The Council identified four consumer segments pertaining to their perception of AI, i.e. supportive users, prudent users, unready users and unfavourable users. Different actions and education efforts shall be taken to empower their self-protection ability when encountering and embracing different AI tools.



# Consumers' Perception and Behaviour

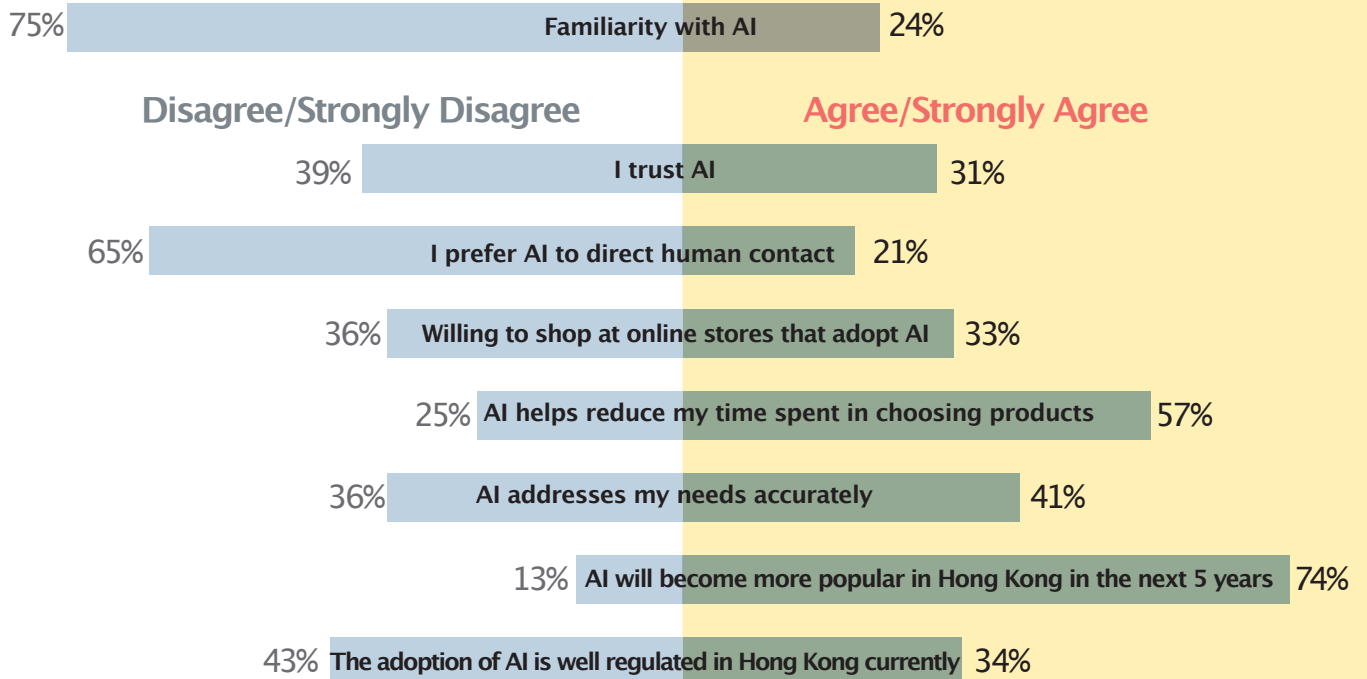
## Perception



No/Little Knowledge



Quite/Very Familiar



Note: The data above does not necessarily add up to 100% as other options like "No opinion" and "Don't know" are not included.

## Experience of Using AI Tools

	Product Recommendation	Chatbot	Advanced Biometrics	Augmented Reality (AR)
Usage	89%	75%	55%	32%
Feel improvement brought by the tool	56%	38%	73%	74%
Mind providing information to use the tool	38%	48%	39%	38%

# Regarding AI and Data Collection

## Demands

81%

Online stores can let me choose whether or not to use AI tools

78%

Online stores can inform me when they are using AI to provide services

77%

More education and promotion about AI are needed in Hong Kong



### Top 3 Measures for Increasing Confidence in AI

1. Online stores to increase the security and privacy protection level
2. Online stores to establish a complaint mechanism for dispute resolution
3. Government to strengthen the monitoring of e-commerce market



## Worries & Concerns

74%

Online stores will collect too much personal information from me when adopting AI

74%

Somebody may abuse the use of AI and generate risk to me

72%

If AI algorithms go wrong, no one will be responsible for the problems caused

### Top 3 Concerned Aspects about AI

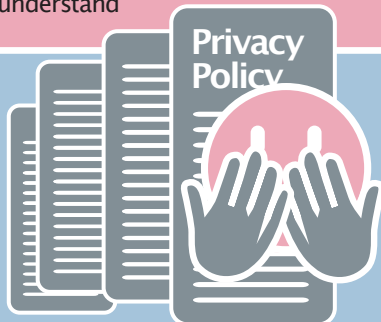
1. Cybersecurity
2. Privacy Protection
3. Accuracy



## Habit of Reading Privacy Policies and Managing Cookies

**60%** never read or did not know privacy policies

1. Too lengthy and wordy
2. Trader can gather personal information online no matter I read the privacy policies or not
3. Hard to understand



**43%** stopped browsing an online store after reading its privacy policy due to worries

1. Collect too much personal information
2. Data would be transferred to too many third-party organisations
3. Too many purposes of collecting personal information

**27%** ignored cookie consent messages



Cookie Policy

Accept

## Consumers' Experience

Among the four AI applications surveyed, i.e. product recommendation, chatbots, advanced biometrics and augmented reality (AR), product recommendation was the most popular, with 89% of the respondents having used it before. Chatbots (75%), advanced biometrics (55%) and AR (32%) came after.

In terms of consumer satisfaction, the satisfaction with AR (74%) and advanced biometrics (73%) was relatively higher, the authentic experience offered and the stable performance might respectively explain their high ratings. They were then followed by product recommendation (56%). **Chatbots' reception was the lowest**; only 38% of its users deemed it improved their shopping journey. Consumers' discontent with the inaccuracy of chatbots might be a reason.

Respondents have different degrees of mindfulness of providing personal data to use the four AI applications. Chatbots were the function that respondents were the most cautious about (48%), followed by advanced biometrics (39%), AR (38%) and product recommendation (38%).

## Traders' Information Disclosure

Among the 112 e-commerce platforms reviewed by the Council, most traders (90%) under review informed consumers about their ways and purposes of data collection, and types of data collected. However, there were just six reviewed traders mentioned the training of AI or machine learning as their purpose of data collection. Moreover, 6% to 10% of reviewed traders would also collect data about employment status, marital status, income and education, which might be considered excessive. Certain information that worth consumers' attention was not easily available on many reviewed e-commerce platforms. For example, only 41% mentioned they would anonymise the data before using it for data analytics; only 17% were specific about the data retention period. Regarding the rights of consumers, merely 42% informed consumers how to reject data collection, and just 39% specified how consumers could opt out of cookie tracking. The findings reflected that **if consumers want to shop on trader's online store, they are "forced" to agree with traders' terms and cannot opt out if they want to continue the purchase. This could undermine consumers' rights and autonomy.**

## Roles of Traders

In the 19 in-depth interviews with e-commerce traders, technology providers and industry experts, interviewees opined that **the adoption of AI in Hong Kong is still at an early development stage.** They graded the current AI development in Hong Kong 4.9 out of 10 on average, where a score of 10 refers to extremely advanced development. The interviewees expressed that currently, many traders in Hong Kong have a mindset of using AI for saving costs and enhancing efficiency, but not yet as a differentiator to generate new income. Moreover, traders encountered challenges while adopting AI, such as the scarcity of talents, insufficient financial resources, etc. **Traders in general are not yet fully knowledgeable about AI, and thus the senior management might not be able to realise the benefits of AI at strategic level, and its ethical aspects.**

Interviewed traders also reflected that in Hong Kong, the e-commerce market was rather small and there was limited data that could be used for AI model training. The source and variety of

open data are not yet enough and ready for companies to use. The problem was even more serious for small and medium-sized enterprises (SMEs), and thus might affect their long-term competitiveness in the market. In general, most interviewed traders reflected an insufficient understanding on AI and called for more education and support for AI adoption.

## Roles and Opinions of Stakeholders

Amid the pandemic, the Government has been actively promoting the development of digital economy. The Government has constructed various digital infrastructure projects, and adopted the open data policy to encourage innovative applications in the market. Under the “Smart City Blueprint for Hong Kong 2.0”, the Government sets out initiatives under six smart areas to take forward the development of smart city and digitalisation in Hong Kong. Various Government bureaux/departments have started working on initiatives to promote the adoption of AI. Meanwhile, the Hong Kong Science and Technology Parks Corporation (HKSTP), the Hong Kong Cyberport Management Company Limited (Cyberport), the Hong Kong Productivity Council (HKPC) and Hong Kong Applied Science and Technology Research Institute (ASTRI) have been providing support in strengthening the application of AI and digital transformation among local enterprises.

The Council has engaged with stakeholders to collect and exchange views on approaches to enable the development of responsible and ethical use of AI in e-commerce. Some stakeholders pointed out that for long, the Government has been investing resources in innovation and deep technologies, and they hoped that more resources could be dedicated to the application of such technologies for the industry.

While the Government has been putting many efforts and resources in opening more data, stakeholders also opined that the e-commerce industry can also contribute and make collective efforts to encourage traders to open up their own data and share with one another to facilitate the growth of AI. Realising Hong Kong is rather a small market and data for AI model training could be insufficient, industry players can make use of other unstructured data, such as speech and image data, to train their AI models, or they can consider forming partnership with other traders or universities, locally or internationally.

Under the new normal, there is a growing trend of building more efficient regional and digital supply chains. Hong Kong should ride on this opportunity to develop its own digital strategy while integrating with the city’s unique strength in smart logistic and supply chain management. At the same time, with the close relationship with the Mainland, Hong Kong can take the advantage of cooperating with Mainland partners to facilitate its own development in the digital market.

Currently, established AI guidelines were mainly found in the financial sectors in Hong Kong. For other industries, stakeholders and traders expressed that a **cross-bureau cooperation in establishing a unique, integrated and holistic digital strategy for Hong Kong is crucial**. The Digital Economy Development Committee newly established in June 2022 would be an important step for Hong Kong to establish its own digital strategy with efforts from different bureaux and departments and in collaboration with the business sector.



# Traders' Adoption of AI

## Data Collection

### Ways of Data Collection

>90% revealed how they would collect personal data.

### Types of Data Collected

>85% would collect basic information for transaction (e.g. name, email address, phone number and residential address).

6–10% would collect data about employment, marital status, income and education, which might be excessive.

### Purposes of Data Collection

99% mentioned the purposes.

Only six traders mentioned the collection of data for the training of AI or ML.

## Information Disclosure

Insufficient funding

Blurred responsibility between traders and technology providers

AI adoption in e-commerce in Hong Kong is still at an early development stage

Lack of high-quality data

## Views

Talent scarcity

Not yet established a company AI policy

Some perceived data policies as AI policies

Not yet fully knowledgeable about AI



## Data Processing and Handling

### Data Anonymisation

**41%** mentioned they would anonymise the data before using it.

### Data Transfer

**87%** specified to whom they would transfer the data.

**69%** informed about cross-border data transfer.

### Data Retention

**17%** specified the data retention period.

### Security Measures

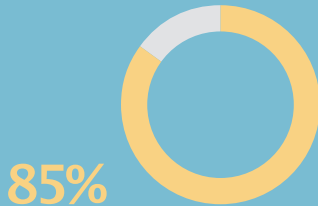
**44%** specified the cybersecurity measures they took.



Name  
Age  
Address  
Occupation  
Payment Method

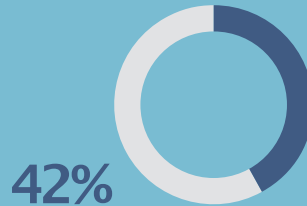
## Rights of Consumers

### Access and Correct Data



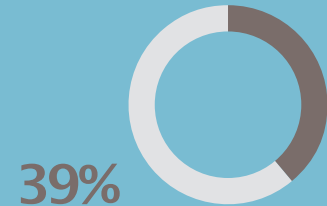
informed consumers how to access and correct data

### Decline Data Collection



informed consumers how to reject data collection

### Decline the Use of Cookies



specified how consumers could opt out of cookie tracking

Source: Privacy Policy Content Analysis

## Demands to the Government

Establish a unique, integrated and holistic digital strategy

Attract and nurture AI talents

Increase funding to support AI projects to commercialise

Extend data resources and enable data sharing among traders

Provide more training for traders



## Learnings from Other Jurisdictions

While AI is expected to bring tremendous opportunities for economic development, over 160 sets of AI principles were introduced by various international organisations to mitigate the risks consumers might face. The common themes across all these AI principles for governments, business organisations, and technology developers to follow include accountability, human oversight, transparency and interpretability, data privacy, fairness, beneficial AI, reliability, robustness and security.

Ten jurisdictions reviewed in the Study adopted different approaches when governing development of AI, according to their distinct market characteristics, cultural background and national priorities. Some of these jurisdictions put the focus on technology research and innovation, while others emphasise on economic development or infrastructure establishment. **Some jurisdictions have even put forward initiatives for traders to pursue ethical use of AI, covering national AI strategies, guidance, frameworks, or even regulations. Some have made dedicated efforts in consumer education to promote AI literacy among the public.**

For example, the Mainland focuses on regulating the use of algorithms specifically. Effective from March 2022, the “Administrative Provisions on Algorithm Recommendation of Internet Information Services” seeks to regulate algorithms, especially those that will be employed for recommendation purposes such as in online stores, search filters, or social media. On the other hand, the EU adopts a risk-based approach in its proposed AI Act in April 2021, which bans specific uses of AI with unacceptable risks, and heavily regulates some other uses that carry high risks. Both the Mainland and the EU have incorporated profiling and automated decision-making of data users in their data privacy laws for better consumer protection, allowing consumers to have the right not to be subject to a decision based solely on automated processing. Japan and South Korea conducted regular surveys on the status of consumers’ understanding of AI. Singapore focused on the public education to increase AI literacy. Different jurisdictions have been investing in nurturing talents facing the global shortage of AI talents. They also provided various support to foster traders to take-up AI effectively.

When AI has become an even more important enabler of digital and economic development, the Government can make reference to these governing experiences in other jurisdictions to pave the path for Hong Kong to develop the city’s own governing framework on AI.

## Council’s Recommendations

The irreversible rise of AI is projected to bring a huge change to the society, no matter in the global or local marketplace. With an aim to develop Hong Kong into a world-class smart city and to spark economic growth, the Government has been investing in new technologies and infrastructure, and fostering partnerships to accelerate the digital transformation. In line with this policy direction, the Council supports the use of AI as it can bring benefits to consumers, yet it is also necessary to mitigate the associated risks with AI to safeguard consumer interests. By empowering consumers and mitigating the AI-associated risks with them, motivating traders to adopt good trade practices when adopting AI, and urging the Government to strengthen digital governance, it is hoped that **responsible and ethical use of AI in the e-commerce market can be realised, and thus consumer trust can be fostered.**

## Actions for Consumers

### **Be a Smart Consumer**

As reflected in the consumer survey, consumers have not yet developed habits to protect their own personal data, which might be exposed to the abusive use by unscrupulous traders. Cultivating good online shopping habits is the first and immediate step consumers can take to protect their own rights. The Council suggests seven practical and simple tips for consumers to protect themselves when shopping online.

Tips for Consumers	
<b>1. Choose the right e-commerce platform</b>	<ul style="list-style-type: none"><li>• Shop on secure and trustworthy platforms, e.g. those that adopt a high standard in security measures, and offer a clear and easily accessible dispute resolution mechanism as part of their customer care services.</li><li>• Make it a habit to always read data privacy policies and T&amp;Cs, and review traders' purposes of collecting and using your personal data from time to time, especially when using the services of new platforms.</li></ul>
<b>2. Pay attention to website updates</b>	<ul style="list-style-type: none"><li>• Read thoroughly the pop-up notices, news and updates when entering a platform; make ensure you understand and agree with the changes or announcements before shopping and confirming your order.</li></ul>
<b>3. Make the best decision against tracking</b>	<ul style="list-style-type: none"><li>• Read cookie consent requests carefully, and decide cautiously the extent to which you allow traders to track your information, e.g. cookies, locations, browsing histories, or feed you with advertisements and promotions.</li></ul>
<b>4. Provide adequate information only</b>	<ul style="list-style-type: none"><li>• Ensure the amount of information you provide to traders is reasonably adequate and not excessive for their purposes of data collection while registering membership or making transactions.</li></ul>
<b>5. Keep a good record of membership accounts</b>	<ul style="list-style-type: none"><li>• Record properly the platforms which you hold an account in or have provided information to; review the record regularly and delete accounts when necessary.</li></ul>
<b>6. Check privacy settings regularly</b>	<ul style="list-style-type: none"><li>• Check your account preference and browser settings related to privacy and tracking technologies regularly.</li></ul>
<b>7. Exercise your rights against automated decisions when needed</b>	<ul style="list-style-type: none"><li>• Ask for explanations and/or file complaints whenever you spot any unreasonable automated decisions made for you.</li></ul>

## Actions for Traders

### **Adopt the Checklist of Best Practices to Formulate Company AI Policy and Governance**

Traders' adoption of AI in e-commerce is still at an early stage of development and can be far more strategic if they have better understanding of AI and more assistance in meeting the challenges. Currently, they mainly use AI as a supplementary tool for them to save costs and

enhance efficiency. It is the right time for them to formulate a holistic strategy on AI at company level, and adopt the best industry practices to foster consumer trust and to fuel sustainable business growth.

#### Checklist of Best Practices for AI

- 1. Formulate a clear company policy on AI, data usage and storage with good compliance and disclosure**
  - Traders can consider (1) inclusive growth and sustainable development; (2) fairness; (3) transparency and explainability; (4) robustness, security and safety for their company policy.
- 2. Dedicate resources for AI development with clear accountability, e.g. appointing a person to be accountable for the ethical use of AI**
  - Centralised or decentralised approaches could be considered depending on the risks of the AI systems.
  - There should be a unit or a person to steer the company policy direction on AI, to coordinate internal resources to ensure the compliance and ethical standards, and to ensure clear accountability.
- 3. Validate AI models before deployment**
  - AI models should be well validated before deployment. Traders should conduct risk assessments and human oversight at an appropriate level.
- 4. Ensure consumers' data is handled in a safe and secure manner to protect consumers' data privacy**
  - Traders should inform consumers about their security measures and data handling procedures.
  - Proper documentation of the handling of data should be in place to ensure that the quality and security of data are well maintained over time.
- 5. Communicate with staff and ensure they follow the ethical standards of AI**
  - Management should define the objectives clearly and provide clear guidance to help analytics team build and use AI responsibly. All staff should understand and follow the same standard set.
  - Management should provide AI training courses for staff so that they can learn how to practise ethical AI applications.
- 6. Foster communication with consumers**
  - Traders should disclose their AI policies to consumers and provide a feedback mechanism to receive consumer comments for engagement and enhancement.
- 7. Provide choices for consumers to choose whether to use AI**
  - Traders should let consumers choose options that best suit their needs, and the options should be easily accessible.
- 8. Clarify clear responsibility between traders and third-party technology providers, and ensure data is handled and transformed safely and ethically**
  - Both parties need to decide who should be responsible for maintenance of AI systems, and ensuring the data collected from consumers is handled and transferred securely and ethically.

## **Establish a “Consumer Charter” to Protect Consumers**

A fair and transparent practice from traders can help build trust from consumers. Otherwise, it would be difficult for them to gain any traction in the market. Yet, many SMEs might have limited resources to establish their own set of AI policies, thus, the Council suggests industry associations and leading traders develop a “Consumer Charter” as guidance to protect consumers in the use of AI and invite their member traders to commit to and follow. Notably, this guidance on AI covers broadly from data governance to the rights of consumers, system security, opt-in and opt-out options, reporting of data breaches, dispute resolution mechanism, and dedicated and clear disclosure of AI policy. By complying with the “Consumer Charter”, traders can build stronger reputation in the market when their commitment and efforts are observed by consumers.

### **A “Consumer Charter” for traders to safeguard consumer rights**

- 1. Be transparent and inform consumers when using AI**
  - Traders should proactively provide consumers with information as in detail as they can when consumers use their services, e.g. the data security measures implemented, the involvement of AI, the ways to opt out of different features.
  - Traders should also take into account consumers’ literacy and ability in reading lengthy and difficult text when disclosing information.
- 2. Do not manipulate consumers’ choices**
  - Traders should not manipulate consumer’s choices solely for the sake of profit maximisation.
- 3. Be fair to all consumers and do not discriminate against consumers**
  - Traders should not exploit the vulnerabilities of AI to discriminate against consumers based on individual characteristics, such as ethnics, gender and age.
- 4. Provide choices for consumers to opt in and opt out of the use of AI easily with immediate effect**
  - Consumers should have rights to understand the risks associated with AI and make decisions on whether to accept such risks in exchange for the benefits AI brings to them. Traders should provide choices for consumers to opt in and opt out of the use of AI in the first place, and act according to consumers’ choices.
- 5. Ensure consumer requests can be addressed**
  - Consumers should be allowed to ask for explanations on AI outcomes, and object to a decision based solely on automated processing that significantly impacts them.
- 6. Establish an effective dispute resolution mechanism in case of non-compliance**
  - Traders should provide an effective dispute resolution mechanism for consumers so that they can express their discontent when they encounter issues regarding the misuse of AI.
  - Traders should train up specialists or have a specific team in the customer services department to focus on handling AI complaint cases.
- 7. Collect data at an adequate level**
  - Traders need to make sure their collection of data is necessary and adequate for the purposes they state in privacy policies according to the Personal Data (Privacy) Ordinance. It is a good practice for traders to distinguish what data is mandatory and what is optional.

## Actions for the Government

### **Nurture Public AI Understanding**

The Study found that many consumers and traders lack knowledge about AI and demand more education about this technology. Education that targets the general public and traders is still insufficient and should be strengthened.

From a societal perspective, education campaigns could be launched to teach consumers about different facets of AI, including its definition and operations, potential benefits and harms, consumer rights regarding the use of AI, related guidelines consumers can refer to, best practices in the marketplace, etc.

In the Study, four consumer segments were identified, namely “supportive users”, “prudent users”, “unready users” and “unfavourable users”. Targeted efforts should be considered for different consumers in order to effectively nurture an AI culture in society. For “supportive users”, stakeholders can reinforce their trust in AI and let them continue to be the early adopters. For “prudent users”, actions that encourage them to voice their demands can be considered as they still have certain worries when using AI tools. For “unready users”, education is needed to cultivate their AI understanding and hence mitigate their concerns. For “unfavourable users”, it is needed to rebuild their confidence in AI and hence willingness of using it again. With these efforts, “unready users” and “unfavourable users” can be gradually converted to “supportive users” and “prudent users” when their trust in AI builds up.

Meanwhile, education to traders is also essential. When traders have more knowledge about AI, they have the ability to pursue ethical use of AI.

Moreover, sector-specific regulators (such as Insurance Authority, Travel Industry Authority) and authorities from the Government could strengthen education to traders for using AI in their respective sectors. In particular, AI adoption in the insurance industry and travel industry has been growingly popular, and traders can collect massive consumer data which might be sensitive for their AI model training. Thus, education to traders in these industries is vital. Sector-specific regulators and authorities may also consider AI initiatives such as establishing guidance of adoption of AI based on nature of respective industries, setting standards for the industry players to follow, reporting AI compliance and performance by industry players for public surveillance, and collecting consumer feedback and suggestions for improvements.

### **Establish a Holistic Policy for AI Development**

Globally, some jurisdictions have been considering approaches to regulate AI from a cross-sectoral perspective. To align with international regulatory momentum, the Government should consider having a holistic policy and development plan for AI in place in the long run. Currently, the development of AI is covered as part of the “Smart City Blueprint for Hong Kong 2.0”, by far, AI-related initiatives and guidelines are championed by respective authorities based on their own assessment on industry adoption and governing practices. Thus, the Council suggests the Government adopt a progressive approach in establishing a long-term AI development plan that can balance the need of setting rules and encouraging innovation.

## A Holistic Policy for AI Development

### 1. Establish clear vision and key milestones for AI development

- Many other jurisdictions have already developed or are planning to develop new laws to regulate AI-related activities. To keep abreast with the pace of the Mainland and the key jurisdictions in the world, the Council recommends the Government anticipate the need for new regulations overseeing the development of digital economy for effective consumer safeguard.
- The Government can draw from governing experience in other jurisdictions and develop a unique strategy incorporating the competitive advantages of Hong Kong.

### 2. Lead by example to accelerate the digital transformation

- The Government should accelerate its digital transformation and lead the way by adopting good AI ethics and data privacy standards while implementing the Smart City Blueprint. Such initiatives would have a positive spill-over effect on enterprises in Hong Kong.

### 3. Increase funding to support AI projects to commercialise

- Currently, funding is mainly for innovating AI, but for commercialising and mass-producing successful AI solutions, the financial support might still be insufficient.

### 4. Enrich open data and encourage utilisation of data

- A data enrichment process is always continuous, and never stops. The Government should make efforts to encourage more organisations to share data, and motivate more traders to utilise the data for the benefit of consumers.

### 5. Assist traders to build business connections with partners in the Mainland and in the globe

- Hong Kong is a rather small market in term of data availability and AI usage, thus traders might look to expand their business to the Mainland or overseas.

### 6. Attract and nurture AI talents

- AI talents, not only for businesses, but also for the Government to formulate policies and implement effective monitoring measures, are extremely important to accelerate the development of AI in society. Education on AI to cultivate local talents should be set as a long-term goal.

### 7. Provide AI ethics training or guidelines to traders

- To promote the responsible and ethical use of AI, the Government should provide up-to-date guidelines for traders to follow. The Government should also support traders by providing AI training courses to them.

## **Build a Fair and Competitive E-commerce Market**

In the digital world, data is power. Companies with more data are obviously of a better competitive advantage. To reduce disparities between SMEs and big techs, SMEs must be able to access more data to develop and train their AI models. Government, relevant stakeholders, and trade associations should facilitate the sharing and utilising of data among traders, thus to maintain competitiveness of SMEs.

To ensure a fair and competitive market in the e-commerce industry and to safeguard consumer interests, the Government must take appropriate measures and prevent traders from using big data to manipulate the market for their own advantages. The Competition Commission may devote resources in monitoring the e-commerce market to avoid market distortion by major traders which hold massive data.





# Recommendations to Enable the Development of Responsible and Ethical Use of AI in E-commerce



## Follow Tips to Be a Smart Consumer

1. Choose the right e-commerce platform; always read privacy policies
2. Pay attention to website updates
3. Make the best decision against tracking
4. Provide adequate information only
5. Keep a good record of membership accounts
6. Check privacy settings regularly
7. Exercise your rights against automated decisions when needed

Consumers



Traders

## Establish a “Consumer Charter” to Enhance Consumer Confidence

1. Be transparent and inform consumers when using AI
2. Do not manipulate consumers' choices
3. Be fair to all consumers and do not discriminate against them
4. Provide choices for consumers to opt in and opt out of the use of AI easily
5. Ensure consumer requests can be addressed
6. Establish an effective dispute resolution mechanism
7. Collect data at an adequate level

## Adopt the Checklist of Best Practices for AI

1. Formulate a clear company policy on AI, data usage and storage
2. Dedicate resources for AI development with clear accountability
3. Validate AI models before deployment
4. Ensure consumers' data is handled in a safe and secure manner to protect consumers' data privacy
5. Communicate with staff and ensure they follow the ethical standards of AI
6. Foster communication with consumers
7. Provide choices for consumers to choose whether to use AI
8. Clarify clear responsibility between traders and third-party technology providers



## Establish a Holistic Policy for AI Development

1. Establish clear vision and key milestones for AI development
2. Lead by example to accelerate digital transformation
3. Increase funding to support AI projects to commercialise
4. Enrich open data and encourage utilisation of data
5. Assist traders to build business connections with partners in the Mainland and in the globe
6. Attract and nurture AI talents
7. Provide AI ethics training or guidelines to traders

## Nurture AI Understanding of the Public and Traders

1. Teach consumers about different facets of AI
2. Educate traders to adopt ethical AI practices

## Build a Fair and Competitive E-commerce Market

1. Take appropriate measures to ensure a fair e-commerce market
2. Prevent traders from using big data to manipulate the market
3. Prohibit unethical use of AI
4. Mitigate the risk of "winner-take-all"



## The Way Forward

The Study aims to raise public awareness of the use of AI and to advocate effective measures for a healthy and sustainable AI development in Hong Kong that consumers rights can be well protected. Amid the rapid development of AI, unforeseen vulnerabilities and ethical issues might emerge. Meanwhile, traders might still face ambiguity in AI ethics in the course of conducting business because of inadequate guidance on AI adoption. The Council hopes that the Government can start considering a holistic AI policy and a governance framework with reference to the experience of the other jurisdictions, and lead the way in promoting the development of “Responsible and Ethical AI”. Many stakeholders also opined that when the Government adopts a leading role to ensure the orderly and healthy development of the AI market, it would help accelerate the digital transformation in Hong Kong.

Although the Study focuses on the use of AI in e-commerce in Hong Kong, the principles and spirit of the recommendations shall apply across different industries in a broader sense. The recommendations shall be customised according to the distinct nature of the industry and individual business objectives for actual execution.

Meanwhile, aside from monitoring the market to avoid unlawful trade practices, the Council will continue to educate consumers about the benefits and risks of AI and their rights in order to foster better habits of using AI during online shopping. The Council hopes that with the contribution of different stakeholders, concerns and demands of consumers and traders can be better addressed, and the implementation of effective consumer safeguards can be expedited. The Council believes that with the collective efforts by the Government, traders and consumers, the development of AI would be faster and more beneficial to the society, socially and economically.



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