

Fraud and AI - Fujitsu piece

NotebookLM transcript

Speaker 0 | 00:00.060

Welcome to the Deep Dive, where we really get to the bottom of things. Today, we're diving into retail and e-commerce fraud, and specifically, you know, all the numbers around it, and how AI is being used to, well, to fight back, really. We're mostly looking at this article that came out recently and an interview with Jules Bijali. He's head of customer experience at Fujitsu. He was speaking at Paris Retail Week 2024.

Speaker 1 | 00:24.273

Yeah, the thing that jumps out right away is just how big this problem is. The sources you've got. They say e-commerce fraud is a huge chunk of global e-commerce sales, almost 20%. Wow. It's a lot. You know, one-fifth of all online transactions gone just like that because of fraud.

Speaker 0 | 00:41.239

That is a staggering statistic, definitely. It really highlights the challenges, you know, for businesses trying to make it in the digital world. It makes you wonder, though, how that stacks up against traditional, you know, brick-and-mortar retail.

Speaker 1 | 00:53.202

Yeah, that's interesting. There's a big difference. Physical retail has a way lower fraud rate, like around 2%, 3%. Yeah. So that difference, it kind of shows a problem. It seems as more people buy things online, the security measures haven't really kept up.

Speaker 0 | 01:06.533

Right. It's like the technology is outrunning the safety net. But before we get into the solutions, especially the AI stuff, let's look at some of the regional differences from your sources. Sure.

Speaker 1 | 01:15.556

The article talks about a trend that's, well, it's interesting. It says that most European countries, they're pretty similar in terms of retail fraud. But the UK and the US, they're higher, significantly higher rates. For example, the UK's fraud rate is it's about 10% higher than France, and that's counting both physical and online retail.

Speaker 0 | 01:37.342

That's a pretty big difference. What could be causing that? Is it just about security measures or is there something else going on?

Speaker 1 | 01:41.944

It's probably a bunch of factors, to be honest. But the sources, they seem to suggest that the US and UK adopted these AI security solutions earlier on. And that might be a big reason why, especially the US. They've been dealing with a lot of shoplifting, so they've been faster to use AI-powered security in stores.

Speaker 0 | 02:00.454

It's interesting how challenges in one area can lead to new technology, even in ways you wouldn't expect. And it shows how AI is really starting to change retail, both online and in person. Before we get into the specifics of how AI is being used, let's take a closer look at how things are right now.

Speaker 1 | 02:17.044

Well, with e-commerce, you're dealing with, you know, digital transactions, remote interactions and all that. It's just inherently riskier. You know, it's harder to detect and prevent fraud online because there's no face to face and it's easier to be anonymous.

Speaker 0 | 02:29.332

That's true. The rules of the game are different online for both sides. Yeah. So how is AI being used to deal with these new risks?

Speaker 1 | 02:36.838

One of the biggest areas is behavioral analysis. It's different from the old systems that just used like preset rules to flag something suspicious. AI can actually learn and adapt. You know, it can pick up on those really subtle patterns and things that might mean someone's up to no good.

Speaker 0 | 02:53.255

So it's like we're giving security systems intuition or something. Can you give an example of how that actually works in practice?

Speaker 1 | 02:58.998

Of course. So imagine someone walks into a store, right? And there is all these cameras with AI vision systems. These systems, they can analyze tons of little behaviors, how long someone stays in one aisle. how they walk, their posture, even tiny facial expressions.

Speaker 0 | 03:15.489

That's incredible. It's like something out of a movie. Yeah. But what happens when the system thinks it's spotted a potential shoplifter?

Speaker 1 | 03:21.891

Well, the AI can alert security right away, give them real-time information so they can step in before anything happens. It's all about being proactive, stopping the problem before it starts.

Speaker 0 | 03:31.555

So AI is like this silent watchdog, always on guard. But all this surveillance, it has to raise privacy concerns, right?

Speaker 1 | 03:37.898

Sure. Yeah, definitely. The ethical side of this technology is a big discussion. But it's important to remember these systems are looking at behavior, not who you are as a person. They aren't trying to profile people based on their personal details. It's about spotting actions that look suspicious.

Speaker 0 | 03:54.283

It's a tricky balance for sure. Okay, let's move from the real world to the online world. How is AI used to stop fraud in e-commerce?

Speaker 1 | 04:04.206

For e-commerce, AI is used to look at these massive data sets of transactions. It can pick up on weird spending habits. multiple failed logins from the same IP address, or even if someone's location doesn't match their device location.

Speaker 0 | 04:16.990

Like a digital detective connecting the dots. And I imagine as these systems get smarter, so do the criminals, right?

Speaker 1 | 04:22.712

Exactly. It's a constant arms race. Every time fraudsters try something new, the AI has to learn and adapt to stay ahead.

Speaker 0 | 04:29.735

So everyone in the industry has to keep innovating and working together. Are there any specific examples of how that's actually playing out?

Speaker 1 | 04:37.078

Absolutely. Loads of e-commerce companies are using AI fraud scoring now. Basically, every transaction gets a risk score based on things like the user's purchase history, their device, even their social media sometimes.

Speaker 0 | 04:50.105

Wow. So they're painting a full picture of the user trying to assess the risk. What if a transaction is flagged as risky?

Speaker 1 | 04:57.049

Well, then they can ramp up the security measures. Like they might force the user to do two-factor authentication or put the account on hold until they can check things out or even block the transaction altogether.

Speaker 0 | 05:06.894

It's about having layers of security. using tech and human judgment together. But with all this talk of data and patterns, do you ever worry about these systems being biased?

Speaker 1 | 05:16.324

It's a valid point, and the industry is working on it. It's really important to train AI on data that isn't biased, and to make sure their decisions are transparent and accountable. We need systems that are effective, also fair.

Speaker 0 | 05:28.547

Finding that balance between safety and ethics is going to be crucial as AI becomes more ingrained in our lives. Let's zoom out for a second. Where do you see this all going? What's the future of retail fraud? And how will AI shape it?

Speaker 1 | 05:42.356

Looking forward, we're going to see AI used in even more advanced ways. Biometrics, like facial recognition, iris scanning, even palm vein recognition, those are all being explored to improve security and fight fraud.

Speaker 0 | 05:56.964

It's amazing to think about, really. These things we used to only see in sci-fi movies, they're becoming normal. Are there any specific examples you can share about how they're being used?

Speaker 1 | 06:06.129

Yeah, actually, in the interview you sent, But Gilles Bijawi talks about a really cool system that Ingenico helped develop. It uses palm vein recognition.

Speaker 0 | 06:14.675

Palm vein recognition.

Speaker 1 | 06:15.936

Yeah. So it scans the veins in your hand, which are totally unique to you. Much harder to fake than a fingerprint or a picture, you know.

Speaker 0 | 06:23.521

That does sound much more secure. So are we getting close to a world without fraud? Like will it ever really be a thing of the past?

Speaker 1 | 06:29.885

Well, it's probably too early to say fraud is gone for good. But with all these new technologies and AI getting better all the time, it does seem possible. If we make it really hard to commit fraud and the risk is too high, then logically people will do it less.

Speaker 0 | 06:44.041

It's like by making things more secure, we might actually eliminate the need for so much security. That's pretty interesting.

Speaker 1 | 06:50.504

Right. And as retail moves towards this like blend of physical and digital, AI is going to be more and more important in managing everything.

Speaker 0 | 06:57.607

Definitely. So after this deep dive into, you know, the world of retail fraud and how powerful AI is. Is there one big takeaway you'd want to leave our listeners with?

Speaker 1 | 07:08.861

I'd say it's all about staying informed and being ready to adapt. Retail is always changing and the technology is moving so fast. If we keep learning about these changes and we're open to new ideas, but also careful about the ethical side of things, then we can use AI to make retail better for everyone, safer, more efficient, more focused on the customer. It's a win-win.

Speaker 0 | 07:28.335

That's a great point to end on. Thank you so much for joining us today and sharing your insights. Until next time on The Deep Dive. Keep asking those tough questions.