

How PayPal is using AI to combat fraud, and make it easier to pay

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Credit: AP Illustration/Peter Hamlin

Artificial intelligence has been the buzzword of 2023 ever since ChatGPT made its public debut earlier this year, with businesses, schools, universities and even non-profits looking for ways to integrate

AI in their operations.

John Kim, chief product officer for PayPal, spoke with The Associated Press about how the company is using the early proliferation of [artificial intelligence](#) technologies in its business, as well as PayPal's future in payments when there's so much competition. The interview has been edited for length and clarity.

Q: How have security issues changed since you've been in this role or similar roles? How much more complicated or sophisticated are threats or opportunities to protect [customer data](#)?

A: One way you can put it is that the fraud is a pretty big business, it's growing and getting more sophisticated by the day. It used to be that you would get, let's say, an email sent to you and you'd find something off about it, right? Like there's a misspelling and you think "Gosh, I don't see this person misspelling this common thing" or the email seems to imply that it doesn't have a deep understanding of who I am. Then it became voices over the phone trying to convince you to do something. Now people can create whole identities using AI.

Q: How are you integrating AI into the work you're doing? Where do you see the most promise for AI in payments?

A: We're planning on launching three new products with ties to AI in the next 120 days. For example, we have a checkout feature we are rolling out that uses AI to keep track of all the permutations of your addresses and personal information that you might use, and use AI to predict the right one to use with the right merchant. We currently try to detect unusual patterns—for example, patterns where fraudsters are trying to test your stolen card out to see if it's good or not—and alert you through the PayPal wallet so you can get that card shut down with your bank quickly. But detecting these patterns can get really complicated, and the

patterns can change on the fly, so AI we believe will help us anticipate these changes and keep us ahead.

Q: But on that same point, where do you think AI is being oversold in some ways, or where do you think that the use case in your industry isn't really there quite yet?

A: I think AI has captured a lot of people's imaginations this year. It's made its way to boardrooms, into stores, every product conversation. Some people have been skeptical, and I think some skepticism is healthy. For example, we want to use AI to increase our chatbots' capability to engage with customers, but how much do we invest in such technology—which can be expensive to develop and run—when a customer service agent could do it better? Cost is going to be a massive issue. But in this short timetable since ChatGPT launched in March, I think you can't dismiss any claim you hear about AI at the moment because it's moving so fast.

Q: A lot of competition has entered into the payments space in the last several years. Apple Pay. Google Pay. Buy now, pay later. PayPal is the oldest company in the online payments industry. What challenges have there been in trying to differentiate PayPal from the competition?

A: PayPal really was a one-of-a-kind company for much of the early part of its life. So back then it was really about just getting scale. You didn't really have to sell the value proposition. But now we really have to focus on the value proposition. Customers every day choose how they wish to pay for things, so you need to provide value above just being a method to pay, like security and fraud protection, or letting people now they are fully protected while at the same time making us the easiest way to pay.

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