

LUXURY MEMO SPECIAL REPORTS

## Automation – Luxury Memo special report

August 16, 2018



*Automation may seem antithetical to luxury, but smart brands can integrate it without compromising quality. Image credit: Mandarin Oriental*

By DANNY PARISI

As technology progresses, more of the actions that were normally performed by flesh and blood people are being taken over by machines. The luxury world in particular has taken advantage of the many types of automation to revolutionize everything from manufacturing to marketing.

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246 ▶**

Automation has become a major trend in all sectors of business, including obvious ways, such as vending machines and self-checkouts at stores, as well as less apparent ways such as programmatic advertising and artificial intelligence.

However, at the same time there is some friction between the efficient, mass nature of automation and the meticulous, handcrafted aesthetic that much of luxury has focused on. Many luxury brands have begun trying to reconcile these opposite forces into a modern, efficient yet still personal and intimate business model.

"I see the biggest opportunity for automation and AI in scaling and strengthening human-driven experiences," said Ben Hindman, cofounder and CEO of [Splash](#), New York.

"It's not about automating entire processes to a place where experiences become sterile or unnecessary," he said. "Rather, it's about gathering the intelligence needed to make them delightful, memorable and meaningful. And, to be able to do this at scale.

"If we consider the data needed to surprise someone with their favorite cocktail the moment they arrive at an event or to seat them next to someone they greatly admire at a special dinner, we can craft smart registration and data collection processes that enable us to create memorable human experiences that drive deep engagement. Even better, as we collect this preference data over time, the experiences can become even more personalized, and we can amass enough to scale our most impactful marketing programs."

### Top 5 trends in automation

- Manufacturing changes

When most people think of automation, the first thing that comes to mind is robotic arms in factories assembling parts. While automation has many other meanings and connotations, this one still holds true. Many

luxury brands have begun employing high-tech tools to streamline the process of manufacturing goods.

- Machine learning and AI

Artificial intelligence is a key part of any modern business' strategy, from the creation of products to understanding customers to sifting through large amounts of data. New ground is constantly broken with AI as companies such as IBM work with brands from across sectors to develop intelligent tools with a variety of applications.

- Programmatic advertising

For many years, advertisements were placed deliberately by hand. Much care was put into where advertisements would be placed, who would see them and other such criteria. But in the digital era, programmatic has become the new buzzword. Advertisements can be placed automatically in front of the right customers based on personal profiles built based on their shopping habits and demographics. While coming with its own set of challenges, automated advertising has made for significantly easier targeting of more personalized ads.

- Craftsmanship vs. automation

One of the major conflicts when speaking about automation in luxury is the split between efficient but impersonal automated manufacturing and the time-consuming but more intimate work of handcrafting artisans. Apparel, jewelry and other such personal items are renowned for being assembled by hand with care. While automated manufacturing may be able to take some of the workload off workers, the consequence is that some of the intimate magic that defines luxury products is lost.

- Self-driving cars

The most visible consequence of automation for consumers in the near future will probably be self-driving cars. This technology has been brewing behind the scenes for years now, but in the next five to 10 years it is likely that self-driving vehicles will become an actual reality for many people around the world. This too comes with its own set of challenges and setbacks, but the number of high-profile luxury auto brands working on autonomous vehicles should be clue enough that they are here to stay.

## Craftsmanship and automation

By far one of the biggest questions that automation raises in the luxury world is whether something that was produced in a factory by a machine can be considered "luxury" the same way something artfully assembled by hand is.

This question is one that many luxury brands are already wrestling with.

For example, Ferragamo recently opened a logistics hub where an automated warehousing system will be completed in late 2018. Ferragamo's logistics hub will be designed according to the latest energy and resource consumption standards to qualify the building with a LEED Platinum certification.

At the same time, the brand also created Ferragamo the Osmannoro artisanal center, about a 25-minute drive from its historic flagship in the Palazzo Spini Feroni in Florence, which sees 20 or so artisans join the brand's current team of master leather workers.



*Ferragamo has opened a design hub for leather goods. Image credit: Ferragamo*

The combined team will work together in a new workshop with the goal of expanding Ferragamo's design lab. Above all, the team will pass indispensable artisanal knowledge to future generations, thus preserving Ferragamo's heritage and know-how ([see story](#)).

Other brands place a large emphasis on craftsmanship as a key part of their identities. For example, U.S. fashion brand John Varvatos forged a connection between the brand's American values and the long tradition of Italian leather craftsmanship in a line of handmade apparel and footwear.

The Artisan Experience collection was promoted through a short film that explored the painstaking, hand-crafted process of creating a pair of John Varvatos shoes in Italy. By juxtaposing the two influences on the collection's designs, John Varvatos hoped to create a global product that appeals to customers on both sides of the Atlantic ([see story](#)).

Handcrafted goods are a high priority for luxury brands. But those same labels are facing the problem of having too few recruits to work as artisans.

To preserve the jewelry industry's prosperity, brands will have to remove the stigma of being a laborer and entice more young artisans to make fine jewelry.

In a panel at Initiatives in Art and Culture's Gold Conference on April 13, speakers from across the jewelry industry talked about the need to recruit more artisans and craftsmen, the people who actually make the jewelry, in addition to designers. Many people seek to enter the jewelry business only to design, but craftsmen are just as, if not more, vital due to the complex knowledge needed to properly manufacture jewelry ([see story](#)).

With a dearth of dedicated craftsmen, many brands have turned to automation to help lighten the workload for their busy craftspeople.

According to Oxford University's Osborne & Frey, 47 percent of United States jobs are at risk due to automation. Robots can do many of the same jobs as people, and can accomplish the same objectives in a more cost effective way, creating a risk of technological unemployment.



*Panasonic teamed with IBM's cognitive computer Watson on concierge solutions*

For instance, some airports have launched robots that will escort passengers to their gate, while Amazon has prototyped a store that automatically charges a shopper's cell phone as they leave, removing the need for cashiers ([see story](#)).

However the trend of robots replacing people does not always hold true. In some cases, the opposite occurs.

Production of Tesla's entry-level Model 3 was partially slowed by robots, leading the company to replace some of its automation with humans.

In an interview that aired on CBS, Tesla CEO Elon Musk admitted that robots were partly to blame for the brand missing its production targets. While Tesla has faced struggles to meet its own goals for the Model 3, Mr. Musk sees a "path out of hell."

In the televised interview, Mr. Musk said, "We had this crazy complex network of conveyor belts and it was not working, so we got rid of the whole thing." He later added that "humans are underrated."

In the first quarter of 2018, Model 3 output increased fourfold, rising above 2,000 vehicles produced per week ([see story](#)).

This shift back towards the human touch shows that automation has not completely ousted skilled artisans, particularly when it comes to luxury goods.

## Machine learning and AI

One of the buzziest of new technologies today is artificial intelligence. Far from the dystopian science fiction associations that artificial intelligence has, many brands are using AI today in nuanced and innovative ways.

Machine learning can help brands deal with one of the most important aspects of modern marketing: data.

Data is incredibly important, allowing brands to know more about customers than ever before.

For example, LVMH-owned beauty retailer Sephora introduced a host of features to its online store focused on personalizing the purchasing process for individual customers.



*Sephora customers are now treated to a host of personalized features. Image credit: Sephora*

Some of the new features include individual recommendations based on previous purchases and a personalized welcome when past users visit the online store again. Sephora is banking on the growing trend toward smarter online shopping experiences to help drive up ecommerce sales ([see story](#)).

"AI, while hyped as the next big thing for advertising, has been used by marketers for years in one form or the other, but it's actually taken time for the technology to get up to speed to activate it," said Mark Hudson, head of business intelligence at [TVSquared](#), New York.

"Whether it's real-time optimization of creatives, bidding strategies or Facebook customer propensity modeling, it's all AI," he said. "What is changing is that advertisers are now using AI in much more sophisticated ways."

These personalized features are developed through the help of automated programs that sift through data to point out important patterns.

Other behind-the-scenes uses of AI include helping brands track their own inventories and building internal tools.

Chinese ecommerce giant Alibaba is working with the Institute of Textiles and Clothing from the Hong Kong Polytechnic University to create an artificial intelligence program to recognize and categorize fashion images based on certain attributes.

The joint project seeks to create an artificial intelligence that will be able to be fed images of high-fashion and learn to categorize them based on factors such as fit, color or type of apparel. In doing so, Alibaba is hoping to get a better understanding of how customers shop for fashion as well as serve them more personalized suggestions based on the AI's input ([see story](#)).

But AI is useful for improving things on the consumer side as well.

Alibaba is also linking consumers' cars to their homes with an automotive artificial intelligence solution.

The retailer's AI + Car solution allows consumers to interact with their vehicles through its Tmall Genie voice assistant, checking the car's status or controlling settings from their home. Daimler, Audi and Volvo are the first automakers to incorporate AI + Car into their vehicles, with more brands expected to follow in the future.



*Mercedes-Benz, Audi and Volvo are the first cars to use Alibaba's AI+ Car. Image credit: Alibaba*

Owners can also run status checks to see how certain parts of the car are running, such as the engine and battery. Prior to a journey, drivers can lock car doors, turn on air conditioning and plan a route from inside their homes.

Alibaba's AI Labs is also looking into further car connectivity. The Aligenie bot that powers the Tmall Genie has speech interaction and natural language processing that can be incorporated into cars to enable voice commands ([see story](#)).

Some brands have created chatbots just as a fun way to bring their content to life and include consumers in interactive storytelling.



*Vogue Messenger bot. Image credit: Vogue*

*British Vogue* launched a Messenger bot to personalize fashion news for fans. Through the *British Vogue* official Facebook and Facebook Messenger account, users can interact with the bot to receive up-to-date information regarding fashion.

The chatbot makes a more impactful impression on readers, as publishing becomes excessively overcrowded and consumers' attention spans get shorter ([see story](#)).

Many retailers and marketers also use chatbots to intertwine editorial content and products to drive sales.

For instance, Matchesfashion.com unveiled a new interactive and curated guide called The Style Daily. The feature combines elements of chatbots, editorial content and online shopping into a unique stream of recommended products ([see story](#)).

### Programmatic advertising

By now, most brands and marketers should be familiar with programmatic advertising.

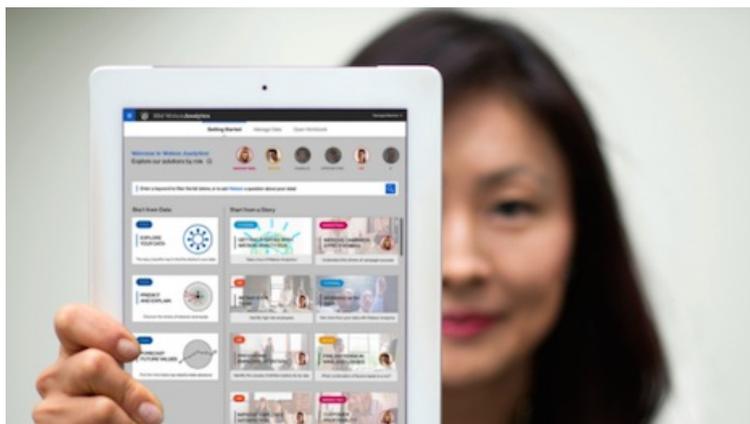
Where once brands had to place each advertisement individually with the hopes of getting it in front of the right demographic, now brands can rely on algorithms to place messaging automatically in front of customers based on their profiles, ensuring that customers of certain demographics or showing certain interests are given the most relevant ads.

But even a few years into the birth of programmatic advertising, experts are still emphasizing its importance.

At a recent event, Forrester recommended investing in new technologies predicated on collecting data. Analytics is

an important part of any marketer's arsenal and emerging technologies can make data gathering easier and more effective than ever.

A bonus of more effective data gathering is making AI-powered marketing tech even more fruitful by giving those systems more data with which to play.



*IBM Watson's marketing cloud. Image credit: IBM*

The emphasis on artificial intelligence as a marketing tool is shared by IBM Watson.

At Forrester's Consumer Marketing event in New York, the head of IBM Watson's marketing team spoke about the ways that cognitive systems will revolutionize the marketing process. In IBM's view, cognitive technology will act as a trusted advisor to marketers, helping them navigate the marketing world without supplanting them fully ([see story](#)).

"Of particular interest is how AI is being used for targeting," TVSquared's Mr. Hudson said. "Today's consumers are comprised of large, diverse audiences that consume a wide range of media channels in different ways, on different devices and at different times.

"To effectively reach an audience, you have to know their viewing habits, media preferences, device usage, etc. information that is constantly changing," he said. "We also have a richer truly big data pool that is ever expanding.

"Machine-learning technologies are enabling marketers to find the patterns that show the ideal media mix to reach that right customer, at the right time and with the right message."

Major platforms such as Google and Facebook are the big players in programmatic advertising. Their large data sets and wide use make them well positioned for targeting customers in an automatic way.

However, there are some drawbacks to working with them. While Facebook and Google offer a start-to-finish look at the customer on their own platforms, they do not work with others to show the full view of the user.

Yes, consumers are spending a significant portion of time on these platforms, but they are not spending all their time there.

Unfortunately for marketers, they are getting a disconnected view of the customer because these big data companies do not work with others.



*Este Lauder looks to build a unified look at consumers. Image credit: Este Lauder*

Este Lauder's vice president of CRM and corporate marketing analytics Doug Jensen and Forrester analyst Joanna

O'Connell urged marketers to attempt to coerce these companies to play nice with others. However, that will be no easy task ([see story](#)).

Some companies have begun creating programmatic ad tools designed specifically for luxury.

Agency Encore Digital Media is launching a programmatic advertising solution designed specifically with luxury brands in mind.

The service, dubbed Business Elite, will leverage first party data to target individuals who fit into luxury buyer profiles such as the young affluent or gourmet lovers. Intended to take segmenting beyond financial means, this pinpoints potential customers based on psychographic and behavioral details.

Business Elite is aimed at brands across the luxury business, including fashion labels, automakers, jewelers and hospitality companies. The targeted messaging is served to audiences who show a potential for buying luxury based on their other interests and traits.

While high-net-worth individuals represent one segment that Business Elite can target, it also breaks down consumers into categories such as luxury travelers, active investors and stylish and entrepreneurial women ([see story](#)).

These same programmatic tools can be used to make every aspect of the consumer's journey more streamlined and personalized.

Time-poor consumers are increasingly seeing the value in personalization, but even with this greater acceptance of the use of their data, retailers still need to be careful not to cross the line into "creepy" targeting.



*55 percent of consumers browse fashion in-store on a weekly basis. Image credit: Neiman Marcus*

A new report from Oracle finds that while consumers are excited about certain technological advances in retail, other inventions leave them uneasy. As retailers look to adapt to the increasingly digital landscape, they should take into account consumers' comfort levels with automation and artificial intelligence ([see story](#)).

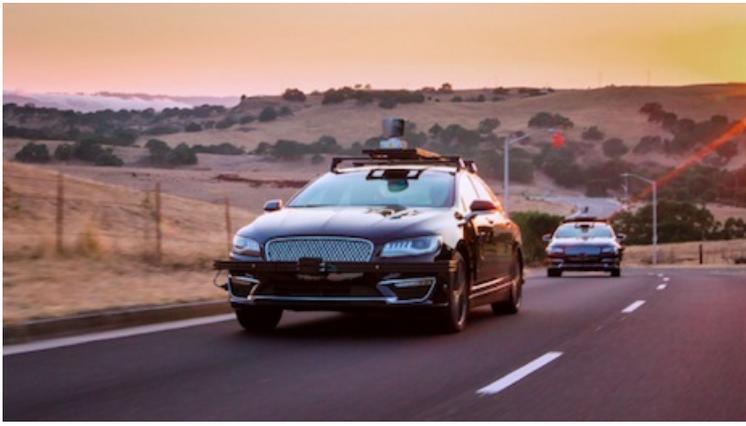
#### Self-driving cars

Much of the aforementioned elements of automation are things that customers will never see or even necessarily know about. But one inevitable element of automation that will be very visible to consumers is autonomous cars.

Self-driving cars have been quietly brewing in the background for several years now. While few consumers have much experience with them, nearly every major auto brand is working on it, including those in the luxury category.

The United States is expected to lead the race in production of autonomous technology deployment and production likely by next year, with Europe and China joining in 2021. Ride-sharing economy and mobility services will be the forces that help driverless vehicles take off instead of consumers owning these cars themselves.

U.S. companies such as General Motors, who is working on an autonomous service fleet, will be the first on the scene with truly driverless capabilities and consumer adoption. General Motors is among other companies such as Uber and Google's Waymo who are building ride sharing fleets with driverless cars.



*Startup Aurora tests autonomous services. Image credit: Aurora*

These fleets will get consumers comfortable as passengers in autonomous vehicles through hands-on experiences, which could lead to purchasing individual driverless cars. 2019 could possibly be the year in which these fleets see production, while personal vehicles become available in 2021 ([see story](#)).

But car brands must be wary of how autonomous cars are perceived by the general public.

While younger generations are much more likely to embrace technological advances, Ketchum has discovered that the millennial and Gen Z groups are actually wary of autonomous vehicles.

In a new study, hacking and safety is shown to still be a real concern for the group Ketchum is labeling GenZennials in terms of driverless cars. Research also indicates that 16-to-24-year-olds are interested in ride sharing instead of vehicle owning, but many still desire the freedom of driving.

Malfunctions, hacking, viruses and overall safety have even the youngest of drivers on edge. GenZennials prefer to feel in control, which is in stark contrast to the autonomous driving concept.

The notion that these young consumers might jeopardize the future of the car buying industry by favoring ride sharing instead of vehicle owning is not completely backed ([see story](#)).

In response, some brands have been working overtime to make autonomous cars more appealing to the general public.

For example, German automaker Audi has cast the ideal advocate for pilotless driving in its latest promotional film.



*Still from Audi's 'The Comeback'. Image credit: Audi*

The automotive industry is neck-in-neck is developing functional, real-world autonomous driving, whether consumers are ready for the advances in technology or not. In Audi's "The Comeback," the automaker shows how autonomous driving can be a revitalizing experience for those tired of their day-to-day reality ([see story](#)).

The campaign is meant to make self-driving cars seem more accessible and get customers comfortable with the idea.

Other brands have been looking to make self-driving cars more appealing to consumers who desire rugged, off-road vehicles.

Jaguar Land Rover is taking autonomous innovation to new terrain with a project that could advance the driverless

technology industry.

The British automaker is working on all-terrain and off-roading driverless sport utility vehicles in what it has named project Cortex. Land Rover has stated that the technology could possibly reach level 5 and be capable in all weather ([see story](#)).

#### Automated future

As we move forward into the future, so many of the activities that were once the sole domain of humans will be taken over by machines.

But while this may sound frightening to some, proper use of automation will make so much of the creation and distribution of luxury more streamlined.

Rather than usurping the role of people in luxury, automation will help free up some of the tasks that human employees currently have to do, giving them more time to focus on other elements of the luxury business.

Between self-driving cars, machine learning tools behind the scenes, programmatic advertising and robotic-aided manufacturing, automated tools will help luxury brands expand their scale and engage with new customers without sacrificing the luxury quality that is expected from a high-end brand.

"AI can enable brands to provide a more meaningful, personalized experience to their clients by delivering the right content at the right time," said Tory Marpe senior vice president of analytics at [Ansira](#), St. Louis, MO. "Especially in the digital experience, as a client moves through a brand's digital property, real-time algorithms can adapt and inform what content should be served up based on the client's journey the perfect heels for the LBD that just got placed into the shopping cart or the first class upgrade offer when the five-star hotel is selected.

"AI enables these experiences to be done at scale while making the marketing spend go farther through elimination of inefficient, non-relevant tactics," she said.

#### Best practice tips for automation

- Ben Hindman, cofounder and CEO of [Splash](#)
  - "Think of AI as being additive to and not a replacement for human interaction. Consider how AI can help you connect more meaningfully in-person when you already know where someone's next vacation will take them or which of your connections they may want to do business with."
  - "Start to document the key actions and decisions involved in getting to your desired outcomes for your highest value marketing programs. Visualizing this usually helps uncover all of the complex human decisions that are required. From there, you will start to identify common patterns and key decisions points that lead to results. Then, you can introduce AI and machine learning to scale and add sophistication to your programs."
- Mark Hudson, head of business intelligence at [TVSquared](#)
  - "There is still the perception that offline channels, especially TV, can't be measured and optimized in real-time like digital, and this couldn't be further from the truth. Today's linear TV is a hybrid performance-marketing channel, meaning it provides both broad reach and the means to drive immediate digital response, especially among the 87 percent of viewers who watch with second-screen devices in hand."
  - "When it comes to AI, the richness of available first- and third-party data, combined with the right analytical technologies, has allowed for AI tools to be used for TV planning, real-time marketing mix modeling and machine-to-machine driven TV buying."
- [Marie Driscoll](#), principal of Driscoll Advisors, New York
  - "When working with AI/digital technology, luxury brands need to keep top of mind the brand stories and myths that create desire and customer loyalty. All interactions must cohesively work together to move the story forward and deepen desire and brand relationships."

