

SOFTWARE AND TECHNOLOGY

How China will use AI to master the luxury market

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Artificial intelligence is no longer an abstract technology, and China is uniquely positioned to lead the change toward AI. We explain why. Image credit: Shein

By [Daniel Langer](#)

We are living through times of massive disruption, with technology becoming a major force behind it.

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The last two years marked a significant step-change in artificial intelligence and, for the first time, **China is leading global AI research** both the quality and quantity of research.

As this happens, AI is no longer an abstract technology that sounds fancy with few real-world implications as a source of competitive advantage.

In my last column, I highlighted how the Chinese fast-fashion brand Shein uses AI as its central engine to determine trends and predict consumer demand patterns and shifts, applying these insights to create an optimized, end-to-end business with near-zero inventory.

Boasting advanced technology and a tech-driven supply chain setup, Shein managed to cut the time it takes to create a collection and deliver it to customers from three weeks Zara's former best-in-class rate to a game-changing three days.

Whenever Shein's AI engine picks up a change in demand or interest in some new trend, the supply chain can react in real-time. This skill has created a classic blue ocean: Shein's value innovation gives consumers more value through more creativity, a wider assortment and a faster time-to-market, while the brand's fully digital inventory operations cut down costs by magnitudes.

If a fast-fashion brand can do it, someone in luxury will figure out how to use AI to create **radical customer-centricity** and, most likely, it will be a Chinese startup. Shein managed to grow to an estimated \$20 billion business in close to a decade after its launch.

Why is China uniquely positioned to lead the change toward AI?

China can combine its advanced industrial capabilities in many sectors with artificial intelligence. That enables

Chinese brands to deliver a significant competitive advantage. The results can be seen across several industries, including self-driving technologies and disruptive electric car user interfaces in China. It spans smartwatches, smart home devices, IoT devices where China is leading by far and tech-infused consumer goods.

China's advantage is currently not replicable due to its unmatched industrial efficiency, vast production capacity and leading role in the global supply chain. Additionally, China's political focus on a rapid **5G roll-out** and the build-up of an advanced high-speed Internet with a focus on data as a national security concern will only further solidify China as the leader in this field.

Also, China is building on what many are already calling the most advanced digital application infrastructure, with mega-platforms such as WeChat that combine a multitude of single applications under one roof. It all leads to a unique Chinese digital model one that includes social media for audience creation, ecommerce for convenient brand access and fintech for financing transactions into a convenient one-stop reality. This synergy is unmatched anywhere else in the world.

The deep immersion of Chinese consumers and companies alike into this integrated digital reality will be the source of significant competitive advantage for emerging Chinese technology-driven luxury brands.

Meanwhile, Western brands will not be able to fully grasp, internalize or compete with these technologies. The digital economy represented 36.2 percent of China's GDP in 2019, according to the *South China Morning Post*. Yet, as recently estimated by *quit Research*, China's ecommerce share is expected to surpass 50 percent in 2021 for the first time.

If there is one certainty now, it is that the digital sphere will become more critical in our lives, with shares of ecommerce increasing disproportionately and AI becoming an even greater enabler and differentiator.

Incumbent brands that use technology mainly for social media purposes or digital marketplaces will need to reinvent themselves to capture broader, faster and more pro-active visibility on real-time consumer preference changes. The speed of change is accelerating at an accelerated rate, and luxury brands need to lead this change, or else they will fall by the wayside.

This is an op-ed article and reflects the views of the author and does not necessarily represent the views of Jing Daily.

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