SOFTWARE AND TECHNOLOGY

Impact of AI on luxury

February 20, 2023

David Friedman. Photo: Michael Falco

By David Friedman

The recent $1 billion investment announcement and further product integrations planned by Microsoft into OpenAI that was cofounded by Tesla and Twitter boss Elon Musk and now valued at just under $30 billion underscores an event.

I believe that we will all look back to this moment and recognize it as one of the truly historic tectonic shifts in creative, destructive disruption whose waves will ripple across every industry and sector.

Yet, the impact and implications on the luxury sector might not have been apparent to observers of technology trends.

Writing new chapter
While artificial intelligence (AI) headlines are nothing new, the specific release of ChatGPT by OpenAI has, for the first time, incarnated the real potential of what has previously been a nebulous term in technology and stamped it into the broader cultural consciousness.

Before ChatGPT, AI as a category was the realm of elite executive and technology communities, but now, everyone can truly understand and absorb how our lives are going to fundamentally change and be disrupted by AI.

Most consumers do not yet understand the difference between a "search" engage and a "content engine."

Google searches and indexes the Web and is constrained to only what is there, while a "content engine" such as ChatGPT actually creates new content that did not exist before. It does not just piece together existing content, but in the example of ChatGPT, it actually writes and creates new content.

While the gimmicky examples of student papers and essays have dominated the headlines, the real impact for sectors such as luxury will be structural and deep.

The press has reported that the launch of ChatGPT triggered an internal "Code Red" at Google headquarters for exactly the reason stated above: being a major threat to the digital imperialism of the Google search and advertising business.

These shockwaves will reverberate across the luxury landscape and fundamentally revolutionize how luxury brands engage and connect with their clientele, ranging from their retail clients up to their VVIP customers who are mostly high net worth and ultra-affluent.

Growth engine

While there is hardly an area that these innovations will not impact for luxury brands across operations, advertising and design, one of the most important areas that luxury brands will need to keep their eye on as they seek to harness the disruptive power while navigating the tumultuous wake of AI/ChatGPT will be focused on customer acquisition, engagement and retention.

Yet, for those brands that have not made understanding their customer's "first party" data and integrating that with other data sources a priority forming a 360-degree view of their prospects and clients, these disruptions could catapult their competitors past them.

In other articles for *Luxury Daily,* I have heralded the fact that many of the luxury brands need to be as focused on their customer DNA as their brand DNA, with latter often eclipsing the former.

In hundreds of conversations with executives across the luxury landscape, not one executive has challenged the assumption that crafting more relevant content, both to engage prospects and existing clients, was the Holy Grail of growth.

I coined the term "hope marketing" to refer to brands that, in their attempt to morph into "lifestyle brands," barrage their clients with an omnibus of content versus what is customized and relevant for that specific individual. The customized approach makes the prospect or client feel like that brand actually understands them and cares about what they care about.

This "hope marketing" pathology manifests itself in the form "Scotches and watches" content being sent to everyone in their CRM regardless of whether they really like watches or Scotch whisky.

Underlying this pitfall is a lack of any institutional desire to truly understand customers and their affinities.

Even in cases where that type of data is being collected by the maisons in the larger luxury houses such as LVHM, Richemont and Kering, they continue to lack the technological spark to activate this data and craft more "bespoke content" strategies to increase engagement.

I often ruminated with executives from these luxury brands about what it would be like if each individual customer or prospect received tailored content based on their profile. It was a fiction, fantasy and wishful thinking at the time. No longer.

Open for business

Applications such as ChatGPT will empower luxury brands to craft bespoke content for each individual, both from a new acquisition strategy to a customer engagement based on their profile and existing data.

This also raises the question about leveraging first-party and CRM data while integrating open-source data combined with a brand's ability to collect information from the physical Web like event attendance or retail store data.

Skilled retail sales professionals in luxury know that if their client is visiting the New York flagship store for a board meeting or Broadway show or business meeting store en route to Colorado to go skiing, they would suggest curating a box of items to send ahead that would be waiting in the client's lodge or hotel room when they arrive at their room.

Imagine an AI that looks at a sales professional's notes in the CRM about a customer and automatically looks at inventory, understands the trip location and crafts an email to that client letting them know that they are curating a box for the client and to schedule time to come into the store and see what has been selected.

The AI would do this based on the trigger event of their upcoming trip, their profile, their purchase history and any other event attendance and purchases.

Also, the AI would be responsible for automatically developing the package list and building the client curated box.

All this would only be executed with the salesperson's approval, making and thus accomplishing what until now has been impossible scaling bespoke service.

Under another scenario, imagine luxury brands removing the headache of finding and sending presents for a customer to family, colleagues and friends.

Again, high-performing sales professionals do this already, but imagine an AI being able to assess the social graph of a client including board memberships, both corporate and philanthropic, and building spontaneous profiles using public data around those connections and then selecting relevant items based on their profiles and even writing the "personalized" note from the client to those receiving the potential gifts.

Now, this is often done by high-performing sales professionals in luxury retail, but under this scenario an AI could be taught to do this at scale and using public relational mapping data of boards and other connections.

The scoop
At my former company Wealth-X now owned by Euromoney we had more than 150 researchers first gathering open-source information on every ultra-high-net-worth individual in the world and then writing a 5-to-20-page dossier on each individual. As you can imagine, the cost was enormous and labor intensive, not to mention that keeping it updated represents a significant and massive undertaking.

The promise of ChatGPT is to have access to that same open-source information, articles and unstructured data, and then to generate spontaneous dossiers on each person written by the AI.

In this example, the AI can be taught by "watching" researchers gather, analyze and writing a dossier based on the available public data.

Most experts agree that the model that will win from a human/AI mix standpoint are those platforms that start with human processes and knowledge and from which an AI can be educated or mimic, versus starting from scratch with AI.

THE BOTTOM LINE is that until now, it has been an Elysian dream of any brand to craft spontaneous bespoke content based on a prospect or clients' specific passions, hobbies or interests.

Yet, only marketers that have been focused on gathering customer data and building profiles on their client's passions, hobbies and interests beyond their spending with that particular brand will be able to really leverage the power of this disruptive innovation.

For those brands that have not built the underlying infrastructure or been prioritizing a 360-degree view of their client's life at the expense of building their own brand DNA and narrative, the disruptive waves created by ChatGPT and AI technologies will likely offer more capsizing peril than future promise.

David Friedman is cofounder of WealthQuotient, a Sag Harbor, NY-based ultra-affluent sales certification and wealth intelligence service, and cofounder and former president of Wealth-X, a database of UHNW dossiers. Reach him at dfriedman@mywealthq.com.