

SOFTWARE AND TECHNOLOGY

‘Luxury businesses must stop thinking of AI as a novelty’: report

January 18, 2024



This time around, the group is looking at an increasingly popular business tool, Artificial Intelligence. Image credit: LVMH/Stephane Sby Balmy

By EMILY IRIS DEGN

Consulting firm Luxury Institute is digging into the benefits of early-stage artificial intelligence adoption.

Its latest white paper, titled “Priorities, Myths and Realities of AI in Luxury Goods and Services,” details the many ways that the tools derived from the technology can bolster business performance. With weigh-in from a group of industry experts, the resource busts myths and outlines priorities for professionals seeking to make immediate use of intelligent automation.

“We are in new territory, so let’s test, measure and learn our way to success surgically, not with a hammer,” said Milton Pedraza, CEO of [Luxury Institute](#), New York.

“AI productivity will only work if you are doing the right things,” Mr. Pedraza said. “If you are not, AI will make you disappear more efficiently; and a lot faster.”

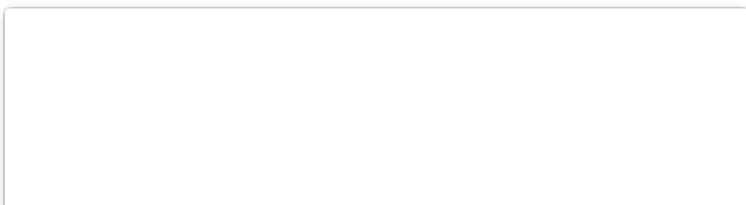
For the report, a qualitative survey of the firm’s Global Luxury Expert Network (GLEN) members was conducted in December 2023 the collective includes automotive, private aviation, fashion and leather goods, hospitality, interior design, jewelry and watches, real estate, wine and spirits and yachting executives and consultants.

Benefits of AI

Luxury Institute’s white paper states that the most successful brands “rarely do extraordinary things,” suggesting that they instead hone in on the fundamentals behind their business models with extreme precision.

In other words, an approach that moves fast, but is focused, could be key to winning the AI race.

The first step? Leaders are urged to stop viewing AI as an optional novelty.



[View this post on Instagram](#)

A post shared by The Luxury Institute (@officialluxuryinstitut...)

Survey respondents emphasize the importance of separating hype from must-haves. To do this, daily testing, measuring and “learning in rapid cycles” is encouraged throughout the white paper.

Vitality, the GLEN shares that leaders need to grasp how AI supports and even enhances the work of humans, rather than replacing it. The functional performance of businesses can also be improved.

As luxury houses are often over a century old, as pointed out in the paper, adaptation and mastering the art of modern transformation is key. AI is said to be able to enhance these maisons performance in four major ways.

Business intelligence is among them.

AI will help brands sort through and make sense of the increasing amounts of unused data stuck in the silos. The capability can assist in understanding and predicting trends, demand patterns and customer behavior with discernment, leading to optimized production, inventory management, social media marketing and decision-making.

Thanks to these anticipatory elements, customer experience is another perk of AI for luxury.

The technology can help make customizable services and products, improve personalized recommendations and enhance loyalty. The trick here will be to keep in mind the individuality of the human beings behind the statistics, and not reduce consumers to segments, cohorts or personas.

Operational efficiency and effectiveness is the third benefit uncovered by the paper. Thanks to AI’s automated streamlining, the supply chain, inventory management, security and customer service areas of the enterprise are just a few that will be further supported.

Costs can also be cut with the technology’s taking on of repetitive tasks and resource distribution.

Finally, environmental sustainability is set to increase according to the GLEN. AI has the capability to analyze businesses and suggest ways that waste and energy consumption can be reduced, making it an essential piece of luxury’s participation in the booming demand for greener actions ([see story](#)).

That said, the experts make clear that the technology’s requirement of constantly updated data, huge processing power and massive storage power must be calculated accurately to avoid inaccurate reports or other issues.

Which of these four perks a business will most benefit from will demand on the nature of the brand and its target audience, category, economics and handle on the increasingly valuable technology ([see story](#)).

“Optimize, don’t compromise,” said Mr. Pedraza.

AI: myths

There are plenty of misconceptions about AI and its role in business, such as it spelling success for all brands, which as outlined above, is not true.

Additionally, as specified with the point of sustainable benefits, AI's ability to automate ethical decision-making is also a myth. It requires a human touch, continuous evaluation and legal considerations.

Other myths busted in the paper include AI transformation being a seamless experience, always delivering accurate customer insights and successful personalization being a given. Again, to successfully integrate the technology, people will need to remain involved.

Luxury, as stated by the paper, is built specifically on direct relationships between society, partners, associates, creators and clients. Artificial intelligence cannot replace real human creativity, another falsehood put to rest by the GLEN.

The system should be viewed as a tool that can complement people; an assistant rather than a substitute.

"Let AI do what it does best such as efficiency in tasks and let humans do what they do best, such as create joy and express love," said Mr. Pedraza.

"We should embrace AI and crave its productivity benefits, but never mistake what AI does for human connection or building deep human relationships based on high performance with high trust," he said. "It's our fiduciary duty as leaders to use AI to support the human beings who take care of each other and our precious clients."

© 2024 Reliance Relocation Services, Inc. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.