ARTIFICIAL INTELLIGENCE
IN THE LUXURY INDUSTRY

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This book is constructed to supply luxury brands, which aspire to provide their customers with a tailor made e-commerce experience, with knowledge on the possibilities and implementation process of artificially intelligent solutions. The guidelines encounter the emotional aspect that is involved with the purchase of luxury goods and emphasises the experience one attains when doing so. To obtain the desired results from these applications, it is essential to engage innovation.

There are many arguments that defend the positive and negative views on luxury-based e-commerce, but in the end it comes all down to the same principle. You want your customers to buy costly products. The way consumers experience the purchase of luxury goods is changing in such that it becomes difficult for organisations to find a way in this new digital environment.

However, digital comes with great potential for offering new forms of luxury. The perception of luxury is a personal interpretation, and is thus no longer solely connected to the traditional experience. You can argue that, in the eyes of the digital generation, luxury is seen as possibility to order goods from the comfort of your own home anywhere, anytime. Time, in this, can be perceived as luxury, not everyone enjoys the time-consuming customer journey of in-store purchases. It is therefore essential, as luxury brand, to appeal this next generation to create a sustainable business model.

The most important thing is not the duplication of an in-store experience to online, but to generate the same ‘magical’
A NEW ERA IN LUXURY FASHION

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THE FEEL OF LUXURY

“The keys to luxury are personalization, authenticity, and the feels of materials”

Hunter Tura, 2015

feeling one has during a physical store visitation. This can be achieved by redefining the customer journey and values of luxury. There are many applications that can contribute to a seamless customer experience, and even so can get you a more valuable relationship with your customers.

The foremost hurdle that the luxury industry encounters, is the heritage and brand identity that is build on the in-store experience. As luxury brand, you should set focus on providing your customers with a similar, if not better, digital customer journey based on tools that enable you to gather data and optimize your relation with the customer. In fact, setting up a data driven digital platform offers opportunities that can contribute tot the experience of in-store purchases.

The guidelines presented in this book will provide the building blocks for creating a data-driven organisation that is able to stay relevant in digital atmospheres, and in such create value for their customers. This for the benefit of the customer experience that improves and as a brand you get the chance to get an individual understanding of your customers. Thus, will lead to a more targeted and individualistic insight on customers and can benefit the marketing strategy that focuses on higher sales.
The customer journey on e-commerce platforms differs from the traditional in-store experience and therefore needs to be revised. The first step is to identify this process to get an understanding of the demands that arise from online luxury consumers. The identification of the journey requires a different take on retail, and the appointment of an owner of innovation who can determine and research this process and has knowledge on artificially intelligent applications. Causing the alignment between the customer needs and the brands needs' to be more efficient and insightful.

Artificially intelligent solutions have been developing over the past decade into a true new understanding. Although the concept of AI has been around for quite some time, AI is now set to change the way we experience and resolve issues. AI is a computer system that is able to perform perception and reasoning that, as we know now requires human intelligence. It can imitate human interaction and the way people think. This way it is possible to provide your customers with the same luxury feeling that they would experience in a boutique.
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The possibilities with artificial intelligence are very broad; therefore it is essential that there is an adequate team that can assort solutions that enhance the companies’ strategy. A solid interaction between data teams and the organisation ensures suitable solutions for e-commerce platforms in terms of marketing and sales.

For an organisation that is aspiring to thrive business based on data, it is important to facilitate the innovation department with the resources that are necessary to develop the applications that are used to create a luxury experience on e-commerce. This can be done by opening up available data, provide software that can speed up the process of application development, and adequate hardware.

Through these data scientist you can effectively measure what an individual customers’ preferences are, and with the use of intelligent tools you are able to respond through settings that ensure the most optimal service and recommendations for this specific customer. Hereby you need to consider the heritage and story of the brand to provide the same feeling you want to portray in a physical environment. This can be achieved by implementing AI applications that mimic an in-store experience.
An in-house retail innovation department is the basis of any AI-implementations. However, young and vibrant retail tech startups are increasingly developing solutions that are appealing to the organisations’ demand. Collaborating with these flexible startups allows your organisation to implement new technologies at faster pace, and gives innovative ideas the opportunity to elaborate and grow. When working with startups there is the potential of a co-creation with the input of the brands’ gathered data and the solutions’ output that can result in a launching customer deal. Having a contract with a dynamic retail-specialised tech startup creates a competitive advantage in the field of e-commerce.

By presenting specialised startups with occurring issues, and facilitate them with recourses, including data and test-surroundings, you spare the effort of deploying own personnel. This results in the desired outcome without the risk of an unworkable solution, and it avoids losing time and investment. In addition, they often rely on you as business accelerator, meaning that they are far more willing to apply custom made solutions for your organization.

In the case of Net-a-Porter, which is a data driven company thriving on innovation, where the demand for AI-solutions is high, they created an incubator program for retail-tech startups. These initiatives allow you as organizations to stay closely connected to the rapidly moving developments.

When an idea for a marketing or sales application is translated into a theoretical solution, the team starts building a minimal viable product to roll out in a Proof of Concept. The PoC phase represents the first functionalities of a solution and is tested with the bare minimum applications. This to measure if an intelligent tool is suitable for both the marketing strategy and customer. The data that is gathered, based on user experience and technological errors, has to be used to adjust the solution where necessary to become an implementable tool. Once the PoC has proven to be a workable solution, the phase of implementation starts.

Artificially intelligent systems are driven by datasets; the more input the more accurate predictions could be made. Experimenting with different datasets results in an adequate system and more tailored solutions.
Co-creation is an upcoming trend throughout industries. Young startups that are eager to learn and willing to commit are providing large organizations with the flexibility that is necessary to implement new technologies. Many organizations in health care, finance, and hospitality are already co-creating with startups to keep up with the fast-moving developments and can visibly see the successes of these collaborations. The co-creations allow you to service your customers with the latest technology as soon as the applications are available.
The crucial factors in the success of an AI-application are the users and their behaviour. The human emotion towards a tool or software can make or break the project. There are often other priorities for employees in other departments than these tools and spending time on learning the operations of the product can interfere with their activities.

It is therefore essential to educate the users in an interactive setting that can closely communicate throughout the organisation. By using interactive video’s, that guide the users through the working of the application, the process of learning becomes more efficient and results in higher engagement for the product. Sqoony, a custom-made platform, enables organizations to connect with internal and external contacts through interactive videos, images, and documents (Sqoony, 2017).

This makes the process of implementing new tools more accessible for a wider public in the organization, and can help data scientists to provide more tailored support for the organization. This educational system is only applicable for back-end operational tools. If a front-end application is not intuitive it will not work for both consumers and employees.

The development of accurate AI-systems is an on-going process and requires regular evaluations on the appropriate use of the applications. It often occurs that the applications are working accordingly, but it is not being used properly. This can result form an inadequate solution to a problem or often blameable on the unwillingness of users to adopt an application.

Instead of putting efforts in the stimulation towards employees to use the applications, the data scientists need to work closely to the end-user and gather feedback. This allows you to determine the cause of inefficient use, and can be translate into new or altered applications.

Hence, it is important to create an open environment wherein the users can point out difficulties or system errors to enhance the improvement of internal solutions. Critical evaluations prevent neglected solutions and the disruption of costly projects.

Acquiring feedback from consumers, however, can be a time-consuming effort that will not incrementally benefit the user experience. If consumers can appoint when there is AI involved that does not function properly, the UX/UI component has already failed.
Putting stock-photos in a web shop is one thing, but offering a luxury experience online requires relevant content. And so the question remains, how are you able to implement state of the art technologies to mimic a 'premium' experience.

The concept of luxury is changing with the rising trend of e-commerce. Procurators that adopt tools for a seamless customer experience online are redefining the concept of luxury. For truly tailored applications that meet the demands of an organization, you need to have consultancy on the best solutions for your business specifically. However, there are a few tools that have proven to be successful in mimicking a luxury experience in e-commerce leaders.

Translating in-store branding to an e-commerce platform can provide customers with a positive feeling of recognition that has been built during physical visits. In addition, you can offer customers with extra features, including runway show streaming to engage them more closely with the brand – a customer feels as if it part of a select clientele that has access to the exclusive shows. Hence, it is important to accommodate the online environment with relevant content in order to appeal the customers in buying goods.

Virtual customer service in real-time, can provide customers with answers, including inventory, release dates, and item specifications, within 30 seconds, whereas manual responses can take up to 30 minutes. This enables you to service more customers at a higher pace, resulting in a more pleasant customer experience. This can be applied in the form of Chabot’s, which will appear in your customers’ webpage and can guide them through your platform.
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Tailor-made recommendations are based on the gathered data of an individual and can make more accurate predictions on the preferences and future behaviours. This allows you to apply targeted recommendations for products that could be interesting for the customer. It is more likely that your customer will purchase the recommended products, resulting in a higher conversion rate.

Display real-time purchases globally; consumerism is triggered by the sight of other consumers’ buying behaviour. By presenting customers with other customers’ purchases it is more likely that they will extend their purchases. This can be applied with ‘influencers’ that make a selection of their favourite items to boost sales and play with brand identity. For example, tracking hashtags and performing sentiment analysis on the text. Hot items, for instance, can be recommended or promoted towards individual customers.

Real time delivery tracking can provide customers with more accurate delivery times, leaving them with less inconvenience when receiving deliveries. In addition, it allows you as brand to get an understanding of your customers’ behaviour to provide them in the future with tailored services.

Loyalty programs can be applied to frequent visiting customers to establish a valuable customer relationship. Granting rewards, based on the individual gathered data, to customers can enhance the retention ratio, and therefore ensures more engagement with digital.
The customer journey process differs from the traditional flow that customers experience when entering a luxury boutique. With AI it is possible to build an individual based customer journey for each specific customer. This way you are able to provide any customer with a tailored experience within e-commerce. Thus, for every step in the customer journey you will need to supply different content, for instance advertisements, that can be shown for this specific customer. The customer journey becomes adoptive and the different tracks that customers can make, based on historical data, swift for each individual customer. The beauty of the artificially intelligent system is that every single customer will experience their own customer journey, making it as personal and tailored as possible.

To elaborate the luxury e-commerce journey the underwritten list illustrates a possible customer journey that can occur with the use of artificial intelligence, that withholds the luxury experience.

**Point of entry**
Customer A enters the website through a social media advertisement that is targeted on the individuals’ demographics and historical data on his or hers interests. It is here that the *machine-learning algorithm* can assume that because of the entrance via social media it suggests that this individual is more used to new media and thus needs a fresher approach. The first measure herein can be taken by applying a “younger” and more dynamic site that instantly shows an advertisement that is created for this target audience.

**First moment of recommendation**
Based on historical data from other customers, who have a similar profile as customer A, the algorithm will provide the individual with recommendations on products that could be interesting. This mimics the trained boutique assistant that makes suggestions to customers in-store. This moment of recommendation can help your customer with inspiration and ideas for potential purchases.

**Personal service**
During the shopping process within boutiques, you are guided by an employee that can service you with information on size, availability and product specifications. With an artificially intelligent Chatbot you are able to service your customers with the same professional help during their e-commerce visit. The Chatbot is able to understand the context of the customers’ question and responds with a sufficient answer in real-time, therefore your customer can shop hassle free and have a seamless experience.

**Second moment of recommendation**
With the newly collected data on the individual, the computer system is able to suggest new products based on the historical data of similar customers and now with the data on this individual’s preferences. Now the system can, for instance, suggest items that have a higher accuracy on potential purchases. It also imitates an in-store assistant that makes new suggestions after getting to know the customer better. Thus, this is how artificial intelligence can be seen, because it is getting to know the customer on a human intelligence basis.
Targeted advertisements
The computer system can compute, based on this data, what advertisement of which product will be the most sufficient to persuade the customer in purchasing a good. Herein you can create several types of content that apply to the different target audiences. This way, the machine-learning algorithm, can supply the customer with a tailored experience and giving the customer a luxury feeling to the way of purchasing.

The moment of purchase
The customer has taken the full customer journey and the computer system tracked down what the preferences and dislikes were. Based on this data you are able to service your customer with extras such as a video on the manufacturing process of the product or insights and previews on new collections.

After sales
With a luxury experience the customer journey does not end at the moment of purchase. It is important that the customer is frequently tested on satisfaction and engagement. Therefore you can apply after service with a Chatbot that is able to support your customer and give rewards or new suggestions based on the stored data.
"Artificially intelligent solutions on luxury e-commerce platforms should be seen as the bridge between the online and offline luxury experience and the barriers have to be identified through an implementation funnel to construct a successful implementation."

A SUBSEQUENT STRATEGY

In order to maintain a sustainable e-commerce strategy it is important to measure and monitor the figures that are being collected. The success factors of an e-commerce strategy depend on the business strategy of a brand and thus, will not be identical within every organization. However, there are basic measures that can be taken to ensure that the company is aware of the progress and results of e-commerce activities. This, especially to evaluate if the luxury customer is assisted appropriately.

To manage these applications you need to apply business intelligence solutions that can monitor the data. Based on this data it is possible to measure the pre-determined KPI’s that are linked to the solution. These figures should be the base of a new constructed strategy on facets as conversion rates, retention, and order volume.

These metrics can benefit the innovation process within the organization, by supplying data on positive outcomes from solutions. Making it easier to work efficiently and prioritize focus points for the business.

According to IBM (IBM, 2017), we create 2.5 quintillion bytes of data, every single day. This indicates that everything we do is data driven. It is therefore inevitable that new jobs are being created within organizations to align business with technology. The organisational structure will shift and comply new priorities. My personal belief is that the structure of the organization, as we are familiar with now, will switch to data driven companies.

The strategic decisions must derive from an artificial intelligence business developer who engages data-driven activities, which aim to realize new business opportunities. The newly created form of a business developer must diligently overlook long-term goals. Organizations should stimulate this shift to stay relevant in comparison to traditional structures.
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This book is part of the graduation project from the Amsterdam Fashion Institute and the results reported are referencing to the Research Report. All sources, statements, and quotes can be found in the report.

Sources
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