

Chapter 16

AI and Its Importance in the Development of the Luxury Market

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ABSTRACT

This chapter examines the AI elements in the process of the transformation of the Luxury Market with emphasis on the application of the concept in the strategic planning process, customer orientation, and in general the overall concept of luxury customer experience. It begins by looking at how different AI technologies are being adopted in the luxury industry and how they are influencing the evolution of the industry's products, its communication and consumers. The chapter also highlights how AI makes consumption of luxury goods more and more tailored to the needs and wants of consumers. To support the discussion with evidence, this chapter also investigates case studies of successfully AI adoption in luxury brand organizations, which identify key successful strategies and effective solutions in practice.

INTRODUCTION

Artificial Intelligence (AI) has emerged as a transformative force across various industries, reshaping operations, enhancing efficiencies, and revolutionizing consumer experiences. In the realm of luxury goods and services, AI is increasingly playing a pivotal role in driving innovation, personalization, and customer engagement. While the application of AI technologies such as machine learning, natural language processing, and computer vision holds great promise for the luxury market, several

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knowledge gaps and potential future research directions can be identified. Firstly, the integration of AI technologies with traditional luxury retail practices, such as personalized customer service and brand storytelling, requires further exploration. Additionally, the development of trustworthiness metrics for AI technologies in the context of luxury brands is an area that warrants attention. Furthermore, investigating the potential of active learning for mitigating the data dependence of deep learning in natural language processing (Kato et al., 2020) could lead to more efficient and accurate customer sentiment analysis and brand perception insights for luxury companies.

Thus, AI technologies such as machine learning, natural language processing, and computer vision have the potential to significantly impact the luxury market. Leveraging these technologies to gain insights from customer feedback, enhance personalized shopping experiences, and build trustworthy AI-based systems will be critical for luxury brands to stay competitive in an increasingly digital and data-driven landscape. However, further discussion is needed to address the knowledge gaps and challenges associated with the integration of AI technologies in the luxury market.

This chapter explores the profound impact of AI on the luxury market, examining its importance in shaping strategic decisions, enhancing customer interactions, and redefining the luxury consumer experience.

Objectives

The primary objectives of this chapter are:

1. **To explore the role of AI in transforming the luxury market:** Investigate how AI technologies are being integrated into the luxury industry to enhance product development, marketing strategies, and customer service.
2. **To analyze the implications of AI-driven personalization:** Discuss how AI enables personalized experiences for luxury consumers, addressing their unique preferences and expectations.
3. **To examine case studies and examples:** Provide empirical insights through case studies of luxury brands that have successfully implemented AI technologies, showcasing best practices and innovative approaches.

Introduction

Artificial intelligence is essentially a branch of computer science that has in the recent past received tremendous attention in business organizations. This is, however, not the case today as this introduction to AI will reveal, the meaning of the term is vastly different from when it was coined. Thus, the history of AI recognises

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