



Final Dissertation

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***THE NEW PARADOX OF LUXURY: GENERATIVE AI & HYPER-PERSONALIZATION FOR
LUXURY BRANDS***

MA LUXURY BRAND MANAGEMENT
PG DGM-22707 FINAL PROJECT
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“EVERYTHING IS AN EXPERIMENT”.

ISSEY MIYAKE, FASHION DESIGNER



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It has been quite a journey to get here, there have been many people supporting me throughout these years, from making a career change in architecture to fashion design to moving countries non-stop, leaving friends and family behind. We all have made sacrifices and I have nothing but gratitude, admiration, and love for each and every one of you.

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GENERATIVE AI & HYPER-PERSONALIZATION FOR LUXURY BRANDS

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I. ABSTRACT

Artificial Intelligence, a concept loved by some and hated by others, a new technology that has many applications in our day-to-day activities and socialization, a technology meant to simplify daily tasks and that could have many applications in the world's industries. However, over the last year, its evolution has made significant progress, allowing it to expand rapidly into everything and everywhere. Therefore, many have asked for a stop to its progress and have asked for regulations that are currently under consideration.

The fashion industry faces new challenges regarding technological advances, consumer behaviours, tense geo-political contexts, energy crises, and inflation in global economies; however, with suitable investments and decision-making, brands face these adversities. The fact that the fashion industry is continuously changing makes it easier for new technological advances to be implemented into the many phases of its day-to-day operations.

Someone may wonder, what the link is between the two concepts introduced; the truth is that AI and fashion, have already had a little romance between them for the last couple of years. Nonetheless, AI is evolving faster than the industry, which has implications for what should be fashion's next move when investing and evolving together with this new technology. Generative AI has found a way into the day-to-day operations of the fashion business but comes at a higher price that, at this moment, can only be afforded by the most prominent players in the fashion industry, which means the luxury sector.

As the jet setters for the industry, the luxury sector is and will be the leader in innovations, especially when the market expects to grow between 5% to 10% (McKinsey, 2022, p.11). This growth means that the luxury groups are exploring adopting this new technology to engage with the market trends and younger consumers. Indeed, luxury brands have the means to do so, and as such, they will set new paths to where the industry can go. Fashion companies expect to raise their investments in technology (McKinsey & BOF, 2023, p. 4).

As far as this research goes, generative AI is being used mainly as a marketing technique, as the case studies in fashion luxury brands presented can illustrate. Hyper-personalization is also part of how brands use generative AI to provide customers with better individually tailored products and services that satisfy every one of their needs by improving shopping experiences bespoke 100% to them. Nowadays, personalization for brands plays a more significant role with so many competitors in the market and even bigger competition on social media, and consumer loyalty takes much work to build. Hyper-personalization will help luxury and heritage brands reinvent their relationship with consumers and rebuild customer loyalty. They can achieve it by investing and prioritizing technology; otherwise, brands will fall behind and miss the opportunity to get on the market growth expected for the industry by 2030, where brands expect to gain a 118% increase in cash flow (McKinsey & BOF, 2023, p.9).

As tech and luxury brands become more entwined, it is just a matter of time for they fully embrace each other to develop an infallible alliance that will benefit both; we are in an age where AI Fashion Week just became a reality a couple of months ago, the separation of AI and luxury can no longer exist, for heritage brands, will it mean they have to reeducate its consumer and renew their storytelling, if this way of producing luxury goods becomes the new frontier.

KEYWORDS

**#AI #ARTIFICIALINTELLIGENCE #GENERATIVEAI #LUXURYBRANDS #HYPERPERSONALIZATION
#LUXURYFASHION #GENZ**

II. INTRODUCTION

Motivations & Value of Research

Fashion is my passion, so much so that I decided to make a career change from architecture to fashion design. On the other hand, technology is not; I am not a tech-savvy kind of person, so my motivation to do my research on both subjects has been enlightening, mainly because, in this era, it is not possible to separate both since technology is part of our daily lives and is everywhere, and fashion is not the exception.

The fashion industry tends to adapt and embrace new technologies later than other industries; an example is the digitalisation process that happened suddenly when the COVID-19 pandemic hit the world. Even though it is a jet-setter industry and most trends come from fashion, it takes longer for the industry to embrace technological changes fully. My challenge when starting this research and the primary motivator was to learn how the new technologies work, understand them and learn how to implement them in the industry I love.

The value of this research means to serve as a base for the next researcher to have a scholarly foundation from which they can build on from here since the topic of generative AI is changing and evolving as this dissertation is being written.

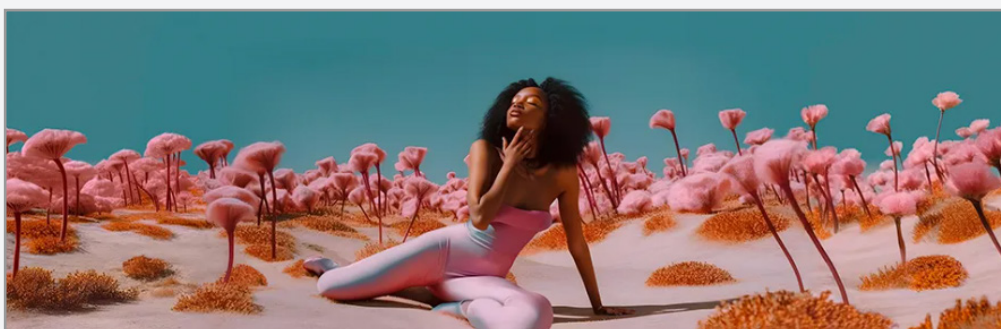
Research Aims, Objectives & Research Question

This research aims to demonstrate the functional applications and practical opportunities of generative Artificial Intelligence for luxury brands and what hyper-personalisation means for heritage brands and their storytelling. Derived from these aims, the objectives of this research paper are:

- To establish the effects of generative AI on a luxury brand and its perception by the future consumer.
- To redefine the relationship between the brand and its future consumer through the hyper-personalisation of products or services.

In consequence, the ruling research question that bonds this paper together and the one that will be answered with this research is:

How will generative AI & hyper-personalisation shape the façade of luxury brands for the future consumer?



III. LITERATURE REVIEW

Most of the information presented in this research comes from industry experts, podcasts, webinars, articles, and reports from reputed sources like the Business of Fashion, McKinsey, WGSN, Women's Wear Daily, and Vogue Business. These resources allow us to present a context for generative AI, industry 4.0, and Luxury to find the answer to the question: *How generative AI and hyper-personalization will shape the façade of luxury brands for the future consumer?*

III.1 What is Luxury?

Luxury is an ever-evolving concept that has changed through time and evolved alongside society; what Luxury meant for Pharaohs and emperors is not the same concept that applies to the 21st Century, and certainly not the same in a post-pandemic world. The latest find comes from an article in May 2023 (Williams, 2023) where the CEO of Golden Goose describes "Culture as the New Luxury" to join the art and fashion worlds. The limits between them are narrowing, and everything worthy of appreciation is now considered Luxury.

Today, Luxury is not about selling the dream but about creating an emotional response and the feel-good it gives consumers (Lowthorpe, 2016). Luxury is qualitative and not quantitative (Kapferer & Bastien, 2009, p. 21); Luxury per se is intangible; however, it does possess specific characteristics that make it Luxury, and therefore, if a product or brand has those characteristics, it will be considered a luxury good or service. Luxury is multisensorial; it has a strong sense of aesthetics, and being a social phenomenon, Luxury is challenging to define; however, brands, through their heritage and storytelling, create a desire for an aspirational image, a status for their consumers.

A brand belongs in the luxury world if, in the eyes of the consumer, it retains four essential values (Chevalier & Mazza-volo, 2012) first, elitism, as a feeling of belonging somewhere; second, product quality and high prices; third, pleasure and emotions, and finally, power of the brand (reputation and uniqueness).

Luxury is then not a definitive definition. It must fulfil specific values and characteristics that a product or service should meet to be considered Luxury. Therefore, Luxury is intangible.

Nowadays, the relationship between the consumer and the luxury industry is not the same as it was ten years ago; this relationship is evolving, especially because consumer behaviour is shifting patterns. The consumer is becoming more eco-friendly and aware of the luxury industry's impact on the world. Ten years ago, the environmental impact was starting to be a concern. Therefore, the processes in those days were not as "eco-conscious", but brands have found ways to keep their heritage resilient and innovative to attract the future consumers.

**“Luxury is the balance of
design, in the sense of beauty
and highest quality”.**

DOMENICO DE SOLE,

FORMER CEO OF TOMFORD INTERNATIONAL



03. (THE FABRICANT, 2023)



III.2 Industry 4.0

The fourth industrial revolution has been developing in our society for a while now. It has brought many technological advances into our society exponentially, giving us mobility through spaces with almost limitless possibilities. It is characterized by increasing automation and the employment of intelligent machines, smart factories, and informed data to produce goods more efficiently and productively across the value chain (IBM, no date).

This fourth industrial revolution is not only an expanded version of the third revolution that involved electronics, IT, and automated production but on its own; it has transformed millions of lives and processes throughout many industries and countries. (Schwab, 2016).

From all the previous industrial revolutions that have shaped the history of humankind, the latest has grown at the fastest speed. It has even revolutionized the way we interact within society. It has taken an essential role in our lives, and as such, the latest technological advancements integrating physical, digital and biological technologies are taking over industries worldwide; this new technology is Artificial Intelligence (AI is covered later in this research).

Like every other technological advance, the fourth industrial revolution has its opportunities and challenges; it certainly has increased the economic impact in countries across the world, has improved the quality of life of many people, has wholly massified production, has made it possible for every person in the world to have access to clothing, a basic necessity that was not previously accessible to everybody, but only to the rich and powerful. However, this has also brought another consequence: pollution has increased alarmingly since the 80s when the fourth industrial revolution began.

The luxury industry has been unable to escape the automated systems to produce its goods. Some have managed to stick to its craftsmanship since that is part of the essence of the brand, but for the most part, luxury has been massified, although it is a well-kept secret.

“We must develop a comprehensive and globally shared view of how technology is affecting our lives and reshaping our economic, social, cultural, and human environments. There has never been a time of greater promise, or greater peril.”

KLAUS SCHWAB,

FOUNDER & EXECUTIVE CHAIRMAN,

WORLD ECONOMIC FORUM

III.3 What is AI?

According to John Mc Carthy (2007), a computer science researcher at Stanford University, AI is the science and engineering of making intelligent machines and brilliant computer programs. It is related to the similar task of using computers to understand human intelligence, but AI does not have to confine itself to biologically observable methods.

On the other hand, we can consider AI as a group of systems designed to mimic the human mind's behaviour, so machines must learn how to carry out all these complex functions (Luce, 2019, p.6).

In their quarterly report for 2023 on generative AI, Mc Kinsey presents two crucial concepts for this research; the first one is AI, which describes it as the ability of software to perform tasks that traditionally require the assistance of human intelligence. The second concept is generative AI, and they define the latest as a foundation model that has the ability to generate content.

It is expected that the luxury sector will outgrow the rest of the fashion industry; in the United States, a 5 to 10% growth is expected, while the Chinese market is expected to grow around 9 to 14 % (McKinsey, 2022), this represents a massive opportunity for the sector to implement new technologies that can bring them closer to the future consumer.

III.3.1 What is generative AI?

Gen AI describes algorithms for creating new content like codes, video, audio, image, text, and simulations (McKinsey, 2023). Gen AI has been years in the making; according to Marc Bain from the Business of Fashion, it is a technology that has been changing and finding its way into our lives since 2012.

The figure on the top right, shows how the technology has evolved and the changes it has suffered in the last decade; this timeline provides a context to better understand its fast progress and evolution. In previous years, breakthroughs in this technology have been leading the creative industries into a new way of creation and design. For luxury and fashion, it has mainly infiltrated the industries as a marketing and illustration tool, with diverse reactions and concerns regarding ethics from professionals and consumers.

“AI is likely to be either the best or worst thing that happen to humanity”.

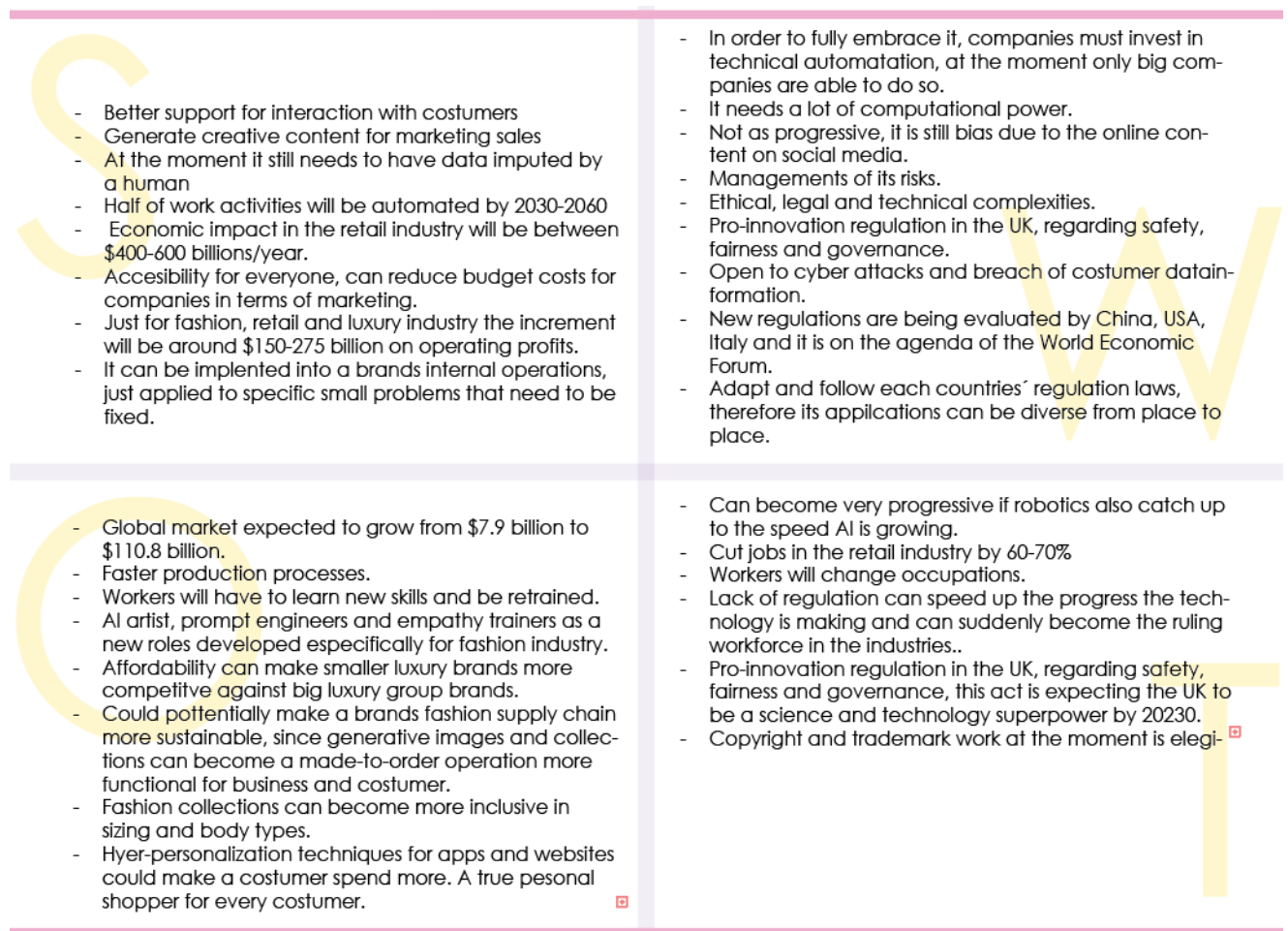
STEPHEN HAWKING



04. (THE BUSINESS OF FASHION, 2023)

As we can see from the timeline, gen AI, as we know it in 2023, has been massified and used since 2021, and from that date forward, its progress and growth have allowed it to become a trending topic in the fashion industry. Moreover, it has found a place in a creative industry like fashion, which is a jet setter and settles most of the trends and styles of the world. Mainly, it has impacted the marketing campaigns for fashion companies and has become a form of art and expression available and accessible to everyone. Most campaigns that AI generates are considered illustrations; also, it means a way to start testing the technology and put it to work in the fashion value chain. However, the question about plagiarism, copyright and trademark still needs regulations.

As with any new technology, it implies many pros and cons. The figure below analyses and establishes a broader analysis of generative AI.



05. (MY OWN, 2023)

In this SWOT analysis of generative AI, we analyze the technology to fully understand the context in 2023 of how it is being used by luxury brands, its challenges and concerns from the industry and opportunities as to where the technology can go. The main concerns about the technology involve copyright and trademark. On the other hand, ethics is also a concern for many people, especially knowing if AI will replace humankind in the creative industries and processes. However, as we will see later on, experts in the fashion community disagree with this statement. Their full interview will be available in the appendix of the re-search.

The figure on the top right, shows a TOWS analysis in which we can observe and compare the strengths and weaknesses of using this technology in the retail luxury industry. Still, the analysis also considers these two regarding opportunities and threats and what they repre-sent when embracing generative AI into the luxury industry. Many concerns are addressed in this comparative analysis. For example, the biases regarding beauty standards and di-versity for AI-generated art and campaigns can be tamed by simply imputing the correct prompts to their generative AI tool.

- Since it still needs the data to be inputted by a human a new roles and opportunities for developing new skills can help current workers to further up their careers. The demand for new roles such as prompt engineers, AI artists and empathy trainers for technology are emerging and soon can be booming, becoming the most sought after skills in the world.
- Part of the economic impact that will be brought to the retail industry, involves more new and smaller brands to be involved in this AI led economy, make them more competitive against big luxury brands.
- Hyper-personalization and accessibility to everyone will make brands stronger, drive up conversion rates, due to the improved shopping experiences.

- Since the data AI uses to generate images is still showing to be bias to certain standards of beauty and inclusivity, there is opportunity for the fashion industry to build on new standards and embrace inclusivity in sizing, body-types, and different races.
- New regulations have the power not to only oversee the power that AI can provide to the industries, but they can aid to regulate the number of human interactions the AI should always have as a minimum to prevent the loss of jobs and roles in the workplace.
- The new emerging career paths as the prompt engineers could be one of the regulations, industries everywhere can follow as a standard on the number of human employees needed to use the generative technology.

- Even though the data is still needed to be inputted by humans, if the robotics of the technology gets as evolved as AI, most of the jobs and basic roles at companies will become obsolete and replaceable by AI.
- Economic impact in the retail, fashion and luxury can be affected by the regulations and acts that are being reviewed by different countries and regions.
- Generative AI can drive sales through the marketing campaigns with limitless creativity, however copyright and trademark are subject to plagiarism due to lack of regulations.

- Without lack of regulations, creative work will be left at the attack of plagiarism, copyright and trademark images from brand could be copied without penalties.
- Since the technology requires a lot of investment and computational power, brands will have to evaluate cost efficiency between computers and the human force, this can impact the number of jobs and workers that will be cut off.
- Because of regulations changing from country to country and region to region, applications of the technology will have to be adapted to the specific country, making it an added expense for companies to fully adapt the technology.

06. (MY OWN, 2023)

Many aspects of the technology imply risk management, decision making and new or optimized business models that can have a massive impact on the industry. Since, at the moment, generative AI is nothing more than an experiment, brands are adopting it as a marketing tool and a way to engage with younger audiences. There are many challenges that the industry will have to face, from reskilling workers to new career paths. Fashion and Luxury also have to think about regulations for each region and how those can affect the industry's value chain. In terms of profit, brands can benefit since many processes can be simplified and reduce workloads from the employees, which can also make them more productive in other areas.

III.3.2 What is Hyper-personalization?

Hyper-personalization uses Artificial Intelligence and machine learning that allows brands to create customer experiences uniquely tailored to an individual (Optimizely, 2023). Helping brands to allocate resources more efficiently, gain customers, drive profits, reduce costs, build long-lasting consumer relationships, increase conversion rates, and grow product lifetime value.

Generative AI technology is here to stay. Proof of that is the partnership that LVMH, the luxury giant, has with Google Cloud to customize experiences better in the store and online. Generative AI is a transformative tool that will shape the industry's future since it can affect the consumers' perception of a brand and its identity.

During the Covid-19 pandemic, e-commerce exponentially grew as it was the only way in which brands could still have a connection with their consumers; at the same time, the pandemic forced the rapid adoption of digitalization for a reluctant luxury market, which was very immersed in old school commerce and marketing strategies. However, in the post-pandemic world, the luxury market is starting to adapt to new technologies like generative AI that will have the luxury market reimagining and developing a new way to do e-commerce throughout their platforms, offering hyper-personalization experiences to the final consumer will be the way to keep and bring back customer loyalty (McKinsey & BOF, 2023, p. 30).

Generative AI will enable luxury brands to deliver hyper-personalized experiences to a broader consumer base, tailoring products and services to cater to diverse consumer preferences. Hyper-personalization will also allow seamless integration of online and offline experiences, ensuring consistent messaging and brand identity across all touchpoints, physical stores, websites, or social media platforms (Futurism, 2023).

Without a doubt, generative AI has its power in marketing, and the trend is not stopping; it is just beginning. It can generate a balance between small and big fashion brands since the smaller brands will be able to produce the same level of content as a big brand can do and, therefore, create a better identity for themselves.

III.3.3 AI Regulations & Ethics

As generative AI makes its way into our lives and becomes part of the daily culture, tech leaders and governments are taking hands into action and working on regulations that can soon impact the fast progress of AI.

Some concerns, such as data privacy, intellectual property, in-built bias algorithm, proper disclosure on AI-generated content, and debates as to whether AI will replace human assistance when generating content, are just a few points that tech leaders are worried about and have asked governments for suspension to the technology.

According to Lynch Shana (2023), in the Stanford University's AI Index Report 2023, in the last year, thirty-seven laws that include the words "Artificial Intelligence" have been passed in 127 countries led by the United States and their AI Bill of Rights, where the main goal is to protect civil liberties. The European Union has been working on the "Artificial Intelligence Act" over the last couple of years, which contemplates rules for different AI technologies like deepfake AI-generated videos, Chat GPT, drones and live facial recognition (Coleman, 2023). Technologies that are "unacceptable risks" will be banned entirely, as well as the ones that affect safety or fundamental rights. China has already established provisional regulations that include fines for technology-related offenses and rules within their local governments that vary from region to region. Italy also took action to regulate the technology. It temporarily banned generative AI in April 2023, which lasted one month since Chat GPT had spread widely into the country.



07. (STEPANOVA, A., 2023)

“The development of full artificial intelligence could spell the end of the human race.... It would take off on its own, and re-design itself at an ever increasing rate. Humans, who are limited by slow biological evolution, couldn’t compete, and would be superseded.”

STEPHEN HAWKING

III.3.4 Generative AI & Hyper-personalization applications in Luxury

We can divide AI applications in the fashion industry into three different categories: 1) Low-level fashion recognition, 2) Mid-level fashion understanding, and 3) high-level fashion applications (Mohammadi & Kalhor, 2021).

In all these levels of impact in fashion, Generative AI is the tool making the most noise. It generates digital content for different platforms and targets specific consumer demands. Beyond chatbots, AI can forecast consumer demands and better position inventories and stores to ensure the products are in the correct place at the right time (The Fashion Law, 2023).

In the next three to five years, McKinsey says, generative AI could add between \$150 billion and \$275 billion to the operating profits of the apparel, fashion, and luxury sectors. Generative AI has many applications throughout industries; Luxury is no exception, especially for brands; generative AI creates digital content for them, edits images, and creates ad campaigns. Generative AI created all the pictures in this paper and are some of the first examples of what the technology can do for the industry. There is room for improvement, but there are still biases within its creations that will have to be evaluated, erased, or improved, especially regarding diversity in advertising campaigns for digital media.

Some brands like Prada and Revolve are among the first to experiment with generative AI and have created marketing images. Kering and Zalando have introduced chatbots to their brands, and some other brands are using generative AI to write product descriptions for their e-commerce (Vogue Business, 2023).

Casablanca created one of the first AI-generated images for an ad campaign; Moncler also experimented and created a fully AI-generated campaign.

A couple of months ago, the first AI fashion week (2023) took place. Mainly new up-and-coming designers were showcasing their collections, and AI generated the clothing, the runway, and the models and produced the first-ever AI fashion week. Although with some flaws, we can see the first steps towards fully AI-generated fashion collections. Other uses and applications of generative AI include generative images, videos, photoshoots, and ad campaigns. Clothing design, product descriptions, digital fashion assistants, product recommendations, voice assistants, generative text and chat, clienteling and customer service, and personalized online shopping experiences are among the current uses of generative AI in fashion and Luxury.

“Generative AI is the most powerful tool for creativity that has ever been created. It has the potential to unleash a new era of human innovation.”

ELON MUSK, CTO OF X CORP.

III.3.5 Case Studies

Generative AI within luxury brands has become a trending topic. Brands have rapidly entered and embraced the trend and applied it either in the creation of marketing campaigns like Casablanca and Moncler, a faithful personal shopper that hyper-personalizes the process of purchase for the customer like Maison Valentino has incorporated this chat into its app or as a tool to illustrate and refresh the storytelling of a brand like Guerlain and the Bee bottle or as a way to enhance photography for marketing campaigns like Prada Beauty did with its fragrances.

This technology is evolving fast and incorporated into many other fashion brands that have embraced it to solve specific problems within their operations, like AdoreMe and its product descriptions, Levi Strauss & Co. and their AI-generated models for their products in order to become a more diverse brand, Revolve and its AI-generated campaign creating a surrealist world, or the new AI fashion weeks, where as of now is a way to discover new talent and create a competition where the winning collection will be produced and manufactured by Revolve. All these applications are becoming a new way to illustrate and enhance creativity or as a way to deliver a perfect customizable product to a customer.

Guerlain's Bee Bottle

LVMH, to celebrate the 170th anniversary of the iconic "bee bottle", luxury house Guerlain used generative AI, specifically stable diffusion, which consists of imputing data by text to image, to generate the image wanted. (Stability.AI, 2023)

To spread their storytelling to new and old customers, Guerlain generated a film to explore how the bottle would have looked from its creation in 1853 to 2023 (170 years) and 170 years forward to 2153. Thanks to generative AI, time-travelling for an iconic piece of the Maison was made possible. Therefore, the Maison is spreading its storytelling to younger new audiences and future consumers and embracing the Maison's lovers by empowering its history through an icon (Face to face: Nicou, 2023). It involved extensive human collaboration with archivists, creative technologists, and artistic directors, where humans specifically selected the images and texts fed to the stable diffusion software to create the prompts needed to create emotions and reactions in the viewer. Links to the films are included in the appendix.

Made for the future is the slogan, followed by the hashtags #Guerlain #BeeBottle #AI #Artificial-Intelligence



Casablanca's AI generated campaign

"It may be done on a computer, but it still takes talent, creativity, and effort to produce good results". The words of Casablanca's founder, Charaf Tajer, when referring to generative AI.

Created by fashion and art photographer Luke Nugent, and with the help of Midjourney, the image generator, created the "Futuro Optimista" SS2023 campaign for the Parisian brand (Showstudio, 2023). The aim was to create a surrealist landscape that involved cowboys, UFOs, desert and nature. The campaign process involved almost the same amount of people as a standard photo shoot would have used, minus the models, research, and storyboarding was done the same way as it had always been done before. They used a stylist, lightning person, set designer, and creative technologist. It was more straightforward and hassle-free since it did not involve travelling and scouting locations. Furthermore, the results generated created a surreal world that engaged with younger consumers.

GENERATIVE AI & HYPER-PERSONALIZATION FOR LUXURY BRANDS



09. (NUGENT, L., 2023)



10. (NUGENT, L., 2023)

Moncler's AI generated Genius Collection

With the help of Maison Meta, Moncler presented its collection during London Fashion Week in February 2023. The work between these two involved collaborations from Adidas Originals, Pharrell, Palm Angels, Salehe Bembury, and Roc Nation (Maison Meta, 2023). The aim was to achieve an "AI exaggeration" of Moncler's well-known product silhouette.

According to Maison Meta, "Achieving these stunning final images was a challenging task, as it required precise control over the AI while retaining Moncler's designers' DNA." Human control over the creations was still necessary to achieve the desired results. Furthermore, the creations engage with the future consumer and the digital world that is part of their daily lives.



11. (MAISON META, 2023)



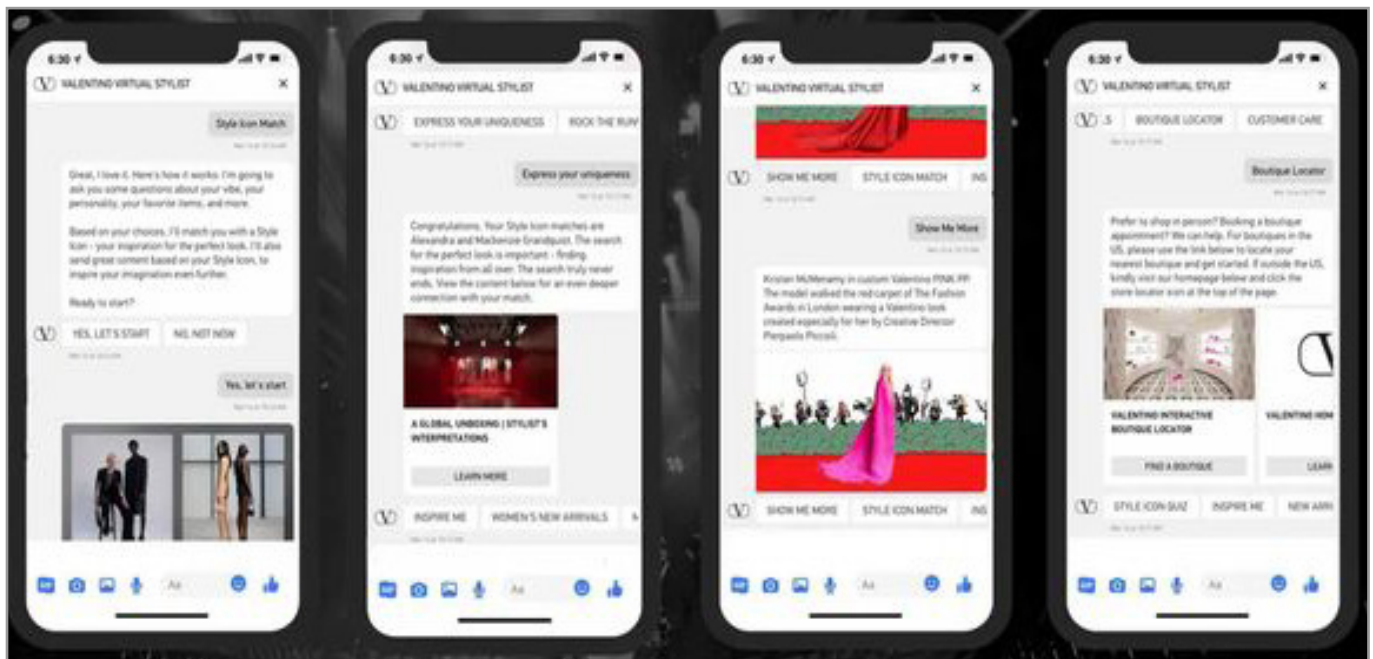
12. (MAISON META, 2023)

Valentino & GameOn AI powered chat

During the AI ban in Italy, Maison Valentino teamed up with GameOn Technology on an AI-powered chat, not generative AI, to launch the SS2023 collection (McDowell, 2023). The chat is currently available on the website or the app. Through the chat, consumers can ask for styling tips, inspiration videos, and complete style quizzes that will lead them to buy from the products offered based on their choices on the quiz. When consumers take the quiz online, it is effortless to follow, and the answers are quick. It also leads them to a designated stylist. To create a ramp-up of the collection, the brand launched in eight cities, like New York, London, Paris and Milano; a different stylist led each window display. The ninth window, they call it, is the online window; that way, they make sure to have different touchpoints for the consumers and keep the interest up.

According to GameOn and early data collection, this type of AI-powered technology leads to higher conversion rates, deeper engagement, and improved shopping experiences for each consumer.

“Brands are slowly waking up to the same realization: AI is no longer just about the technology; it is about how humans experience and interact with the algorithms” Olof Hoverfält, principal, strategy and business design, Reaktor.



13. (GAMEON, 2023)

III.3.6 The Future Consumer

Gen Z is the future consumer. They were born between 1996 and 2010. This generation's identity has been shaped by the digital age, climate anxiety, a shifting financial landscape, and COVID-19 (Rahilly et al, 2023). The oldest Gen Zers have jobs and mortgages, and the youngest are still pre-teens, making up a third of the worldwide population. This generation is always online, through their phones, and most socials involve some digital string. They are more likely to spend money on experiences that enhance their lives than to splurge on luxury. However, they do like brands that have a strong story and purpose and the ones with green practices, and they are looking for luxury pieces that make them stand out, unique pieces.

"They are looking beyond tangible products and actually trying to understand what is it that makes the company tick. What is its mission? What is its purpose? And what is it trying to build for us as a society?" Bo Finneman, McKinsey partner

Within the Gen Zers exist certain types of groups and profiles that brands must pay attention to. One of them is the Pioneers, a new profile of consumers experimenting with new ways of living; the purpose of physical and digital space is their focus. They reimagine what it means to exist, connect, and be cared for; they are expecting life-on-demand. The second profile is the new nihilist. This profile has faced emotional turbulence throughout their lives, and as such, they are finding optimism in a meaningless existence but making the most of it. The third profile is the reductionist. They are trying to reduce their time online and rebuild their in-real-life interactions. The fourth profile is the timekeeper. They are trying to spend their time on things and experiences that matter (Bell and Napoli, 2023). Brands need to spark their interest by innovating on products and services that make the physical and digital world a better place to exist and address their specific wants and needs (WGSN, 2023).

According to WGSN, brands will have to consider four sentiments within the future consumer when they want to attract their loyalty. These four sentiments are: first is dissociation, second refers to idleness, third is radical acceptance, and fourth refers to neo-altruism. Brands can face these sentiments by applying different business strategies that will tackle every one of these sentiments. Strategies such as creating a sense of community within their brand, adopting green and transparent practices, and diversity also plays a role when engaging with these new consumers; if brands embrace these strategies into the phygital worlds of the luxury brands, they will be the ones to better engage with the future consumer.

AI-generated products will most likely get the attention of this specific consumer profile; as previously addressed from the first AI Fashion Week, the AI-generated collections presented to the world stage were a way to discover new talent by pushing boundaries, taking risks, creating unique garments, and supporting emerging designers that are working with the technology (Schulz, 2023). Furthermore, it involved the future consumers by asking them to vote for the best collection. Revolve is producing the winning collection.

IV. METHODOLOGY

Aim, Methods & Limitations

This research paper aims to gain knowledge into consumers' perception of luxury brands and AI and understand how luxury brands are experimenting with generative AI and teasing the consumer into fully embracing AI into their heritage. Lastly, it is necessary to understand people's point of view in the fashion industry. In order to achieve this, the research includes quantitative and qualitative methods to expose the contexts in which generative AI is developing and what are the possible strategies in which luxury brands can or can not embrace AI into their essence and heritage.

In order to understand the consumers' perception of luxury brands and AI, the quantitative method used in this research was a questionnaire with seven closed questions. One variable of the questionnaire is age, which is essential since the goal is to know the point of view and perception of luxury brands from the eyes of the future consumer, Gen Z. Therefore, the sample for this questionnaire is ninety people above the age of 18. Since technology allows us to reach everyone everywhere, there is no specific place where the data collection focused for the sample because luxury heritage brands are known globally.

For qualitative research, case studies are present in the paper, aiming to expose the use of generative AI nowadays and how luxury brands are starting to embrace it. The research also includes interviews with people from the industry; these interviews were made with two fashion professors from different backgrounds to gain non-biased research. The profiles of the professors, Adam Andrascik (Microsoft Teams conversation) & Maria Elena Pombo (questionnaire since she is in an artists residence in Italy), both are included in the appendix.

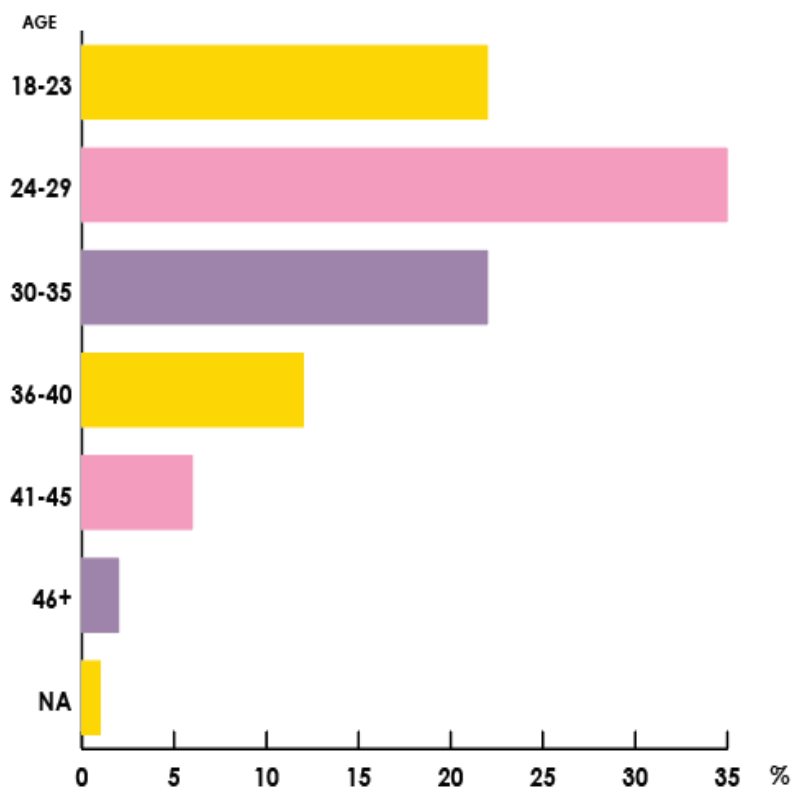
Finally, the literature review previously exposed on AI and luxury required extensive research, mainly from sources dedicated to fashion, luxury and technology. Research from academic sources was limited because the topic is a novelty, and finding reliable sources has been difficult. However, the sources used for the research provided the necessary background to establish a panorama in which non-luxury-oriented people can understand the luxury industry and non-tech people can understand generative AI.

Indeed, there were limitations to the research not only in the literature review but also in the sample regarding time and reach; since the questionnaire was spread through social media accounts on Instagram, Twitter, LinkedIn and WhatsApp, with more time a broader sample could have been reached, since this accounts have followers from the United States, Spain, Chile, Mexico, India, and the United Kingdom, the results could have been richer for a broader perspective on the consumers' perception of luxury brands regarding AI.

V. RESULTS & FINDINGS

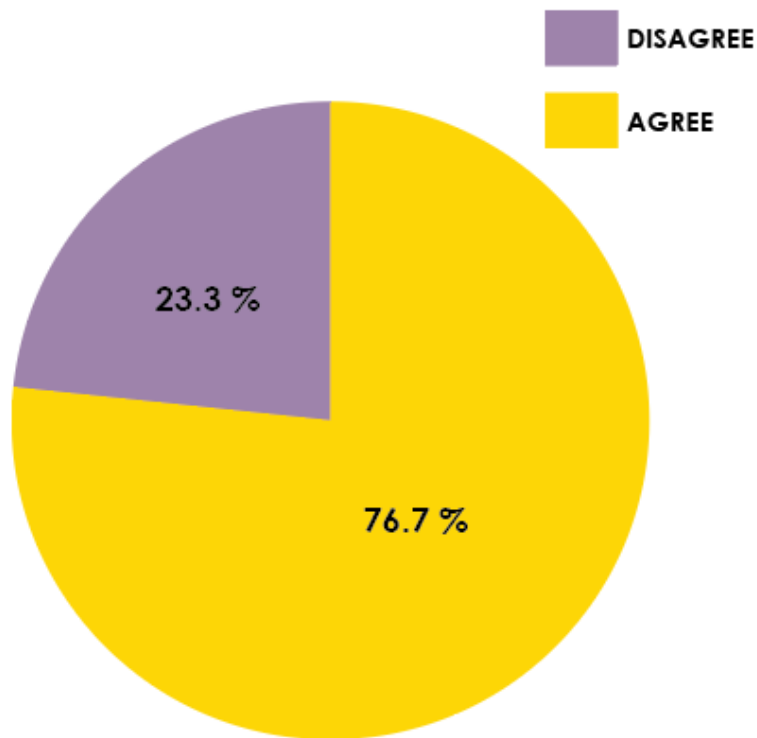
According to the questionnaire applied to ninety participants, the answers provided this research with a broader understanding of consumers' perceptions of luxury brands and AI. Some results are very insightful into what luxury brands can do for the consumer and how many people can still be engaged by a luxury brand. All the questionnaires were applied in English regardless of location.

Because the aim is to get an insight into the consumers' perception, there was no age limit to be able to answer the questionnaires. Luxury is global and reaches most age groups. However, most of the questionnaires were answered by participants from 18 to 40 years old, including the future and current consumers. As shown in the figure below, we can see the age range and participation percentages.



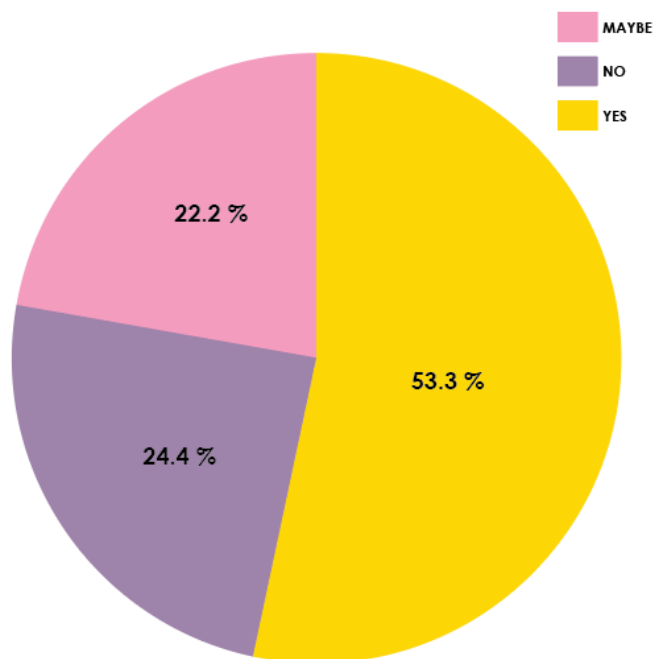
14. (AGE RESULTS, MY OWN, 2023).

The second question, Do you agree or disagree with the use of AI (Artificial Intelligence) to create or edit images for marketing campaigns?, intends to understand if the consumers agree with the use of the latest technology as part of marketing for luxury brands, it was interesting to find out that more than the 76% of the participants agree on the use of AI on luxury ads campaigns, since Gen Z lives in the digital world, this question reflects that they are not afraid of new technologies used in the luxury industry.

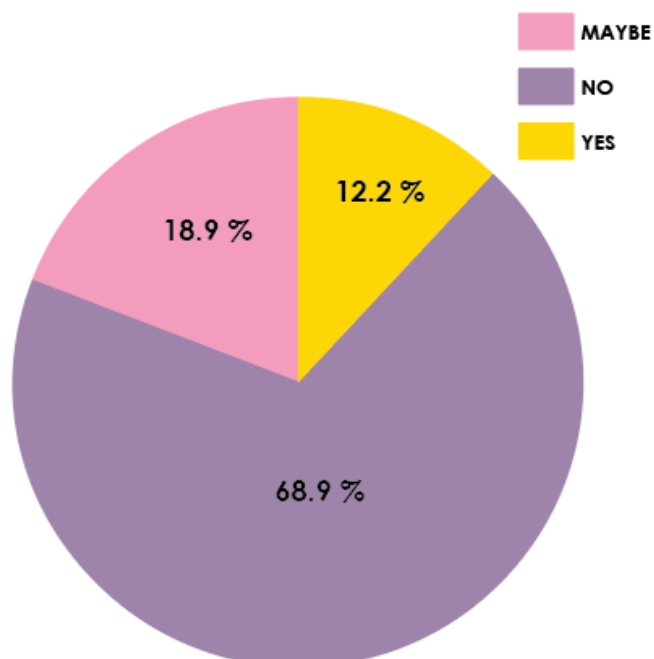


15. (QUESTION 2, MY OWN, 2023)

The third and sixth questions: Do you believe that luxury brands embrace technology quickly? And Do you think that the luxury industry is fully utilizing the capabilities of Artificial Intelligence? were asked to understand consumers' perception about technologies and AI in luxury brands. The third question showed that more than 53% of the participants believe that luxury brands are using the technology as soon as it is released; however, 24% are unsure about the technologies used by luxury brands, which leaves a gap in the consumers' perception, this could be an opportunity for brands to try and engage with that 24%. The sixth question revealed that almost 70% of the participants agree that luxury brands are not entirely using all the AI capabilities. This answer reflects that luxury brands are just starting to experiment with the technology like, the case studies show in the literature review.

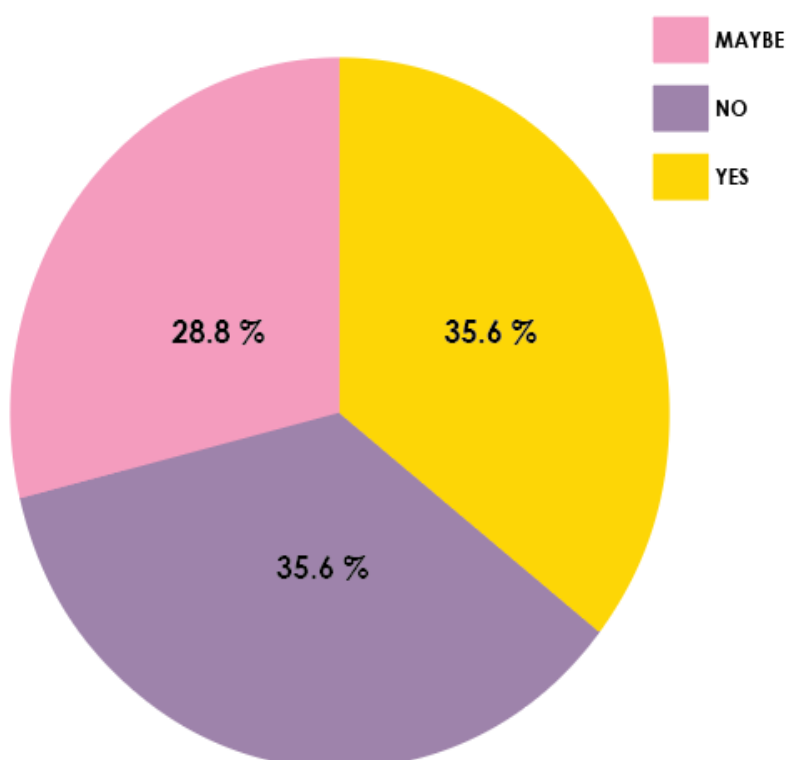


16. (QUESTION 3, MY OWN, 2023)



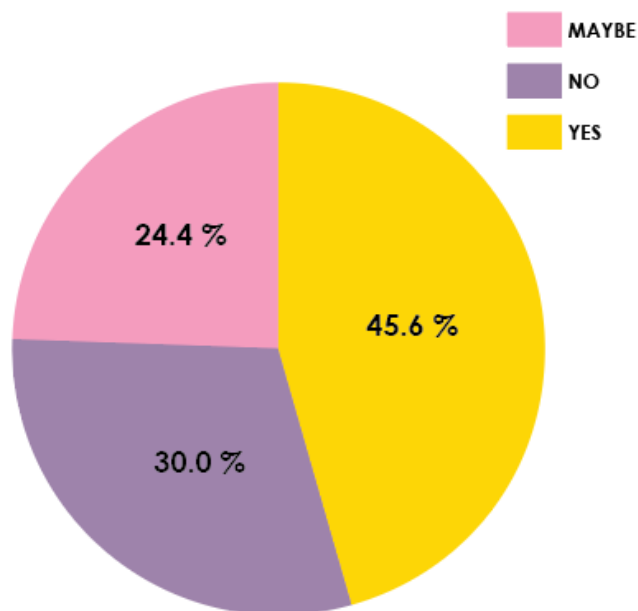
17. (QUESTION 6, MY OWN, 2023)

When asked, If you were to buy a luxury item, would you expect it to be 100% personalized to you? 35% of the participants answered YES, and 35% responded NO; the 30% left responded MAYBE. This was one of the findings in which the participants' answers were divided into thirds, and it means that there is much room for hyper-personalization in luxury goods, that 30% is a gap that can be targeted by luxury brands and attract them as part of a luxury shopper.



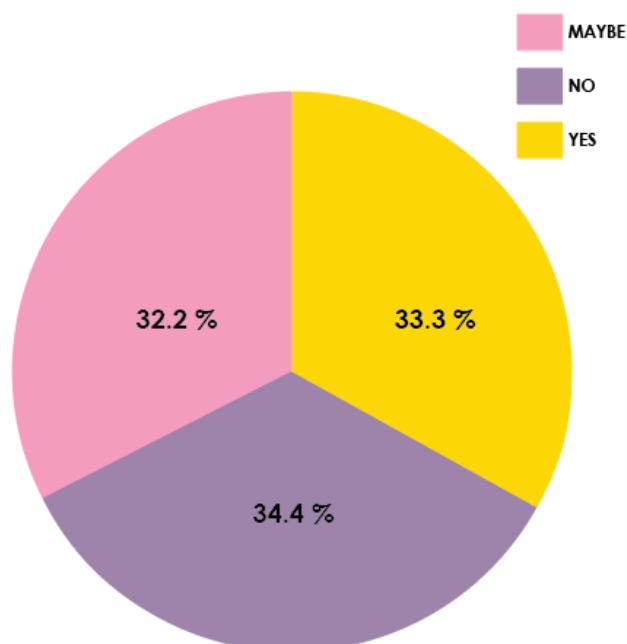
18. (QUESTION 4, MY OWN, 2023)

The fifth question, Do you think that Artificial Intelligence will take over any human interaction, from design to sales, in luxury goods?, had as an objective to subtly ask about the ethics of AI and if the future consumer is concerned about the technology taking over in the creative industries, shockingly 45% responded that yes, the technology will take over the creative processes. 30% responded that they do not think that will happen. Nevertheless, it does raise questions and concerns about the technology, which is why a part on regulations and ethics was included in the literature review.



19. (QUESTION 5, MY OWN, 2023)

Lastly, the participants were asked if AI would influence their buying decision. Surprisingly, the answers were divided almost into thirds, which says that in the eyes of the consumers, brands have room to embrace the technology to engage with new consumers and reach new target markets. They have a chance to hyper-personalize luxury goods and services. As a marketing tool, AI can help to redefine the relationship between the consumer and the brand.



20. (QUESTION 7, MY OWN, 2023)

The case studies presented in the literature review revealed how brands use generative AI in 2023. For Guerlain, generative AI meant spreading their heritage to younger consumers and keeping the loyal ones who had become clientele. The time travelling of an icon shows a way in which brands can redefine not only their icons but also become closer to their consumers. The Casablanca case study represents how smaller brands can start to generate storytelling that the future consumer will ingest as being a heritage; the use of AI allowed Casablanca to launch a marketing campaign that could compete with more prominent luxury brands since the use of AI does not require massive budgets that smaller Maisons can not afford. Moncler's study case also reveals that AI can allow a luxury brand to reimagine its essence and icons without losing its identity. How they created the campaign with collaborations with celebrities made it interesting enough for a younger demographic. Finally, Valentino's study case means that luxury brands can embrace AI even if regulations and bans occur worldwide. For the brand, it means a more personalized shopping experience for the consumer, and for the consumer, it means a way to get to know the luxury brand and to consider it when they are looking for inspiration.

Both interviews with the professors were quite interesting since they have a different approach to fashion, and most answers were similar in opinion. When Professor Andrascik was asked if he thought that AI would fully take over the creative process to produce a luxury good, he responded, "If we look at history and how clothing is made, for centuries, the way humankind has created clothing has not changed, there still is the taking of measurements, the draping and the patterns, the sewing, cutting, lots of manual labour that until now and with technology evolving is still being created by human hands. However, if robotics evolve as fast as AI, history could change, but the scenario in the middle term seems to be that fashion is created by humankind" (Andrascik, interview, 2023). Another interesting finding from the conversation with Professor Andrascik was when he mentioned that transparency would play a massive role when it comes to the manufacture of a luxury good; the question he answered was: In your opinion, would the craftsmanship of luxury houses be replaced by a fully AI generated product? Because some processes have already been automatized, like sewing machines or laser cutters for textiles, creating and putting together a collection still involves much craftsmanship from skilled workers. So, for a luxury product that has used other kinds of technologies, transparency and the label "Man-made" or "human-made" will be how luxury houses could still retain the value of their products, and craftsmanship will still be valuable in the future.

In Professor Pombo's questionnaire (2023), similar responses were given. She was asked, until what point can a product or service be fully hyper-personalized for a consumer? The answer was pretty much the same, and we are referring to two professors who teach in different parts of the world, the USA and the UK. Her answer was, "Ready-to-wear clothes are a somewhat new phenomenon. It did not exist 100 years ago. People would have their clothes made for them or make them themselves. In many countries around the world, this is still normal. I had many of my clothes made by a seamstress when I lived in Venezuela. So, the normal thing has been for the clothes to be personalized for a consumer. All bodies are different, and the standardization of clothes has many mistakes. I worked as a technical designer at Michael Kors, and we had around five fit models: 3 for missy ("regular"), 2 for plus-size and 1 for petite. The three fit models for Missy were all the same height (around 1.75cm) and the same clothes size (US size 6) and measurements. But still, they all had different skin firmness and ages, so gravity had affected them all differently (older models had their breasts at a lower point). The clothes we would fit on one model would not fit another so well, and so on. I do not know if returning to a personalized system is possible. People somewhat personalize things themselves" (Pombo, questionnaire, 2023). Moreover, when she was asked the same question as Professor Andrascik: Would a fully AI-generated product replace the craftsmanship of luxury houses? Her answer was very similar. She replied, "I do not think so, but more because consumers, especially the ones buying at luxury houses, but also the dream of the craftspeople and designers. Maybe they can use it to help them, but I do not think it would replace it. In terms of the making of the garments, I really doubt it. Maybe if it gets more advanced... I worked as a technical designer at Michael Kors, and we would create patterns by inputting numbers on a grid of measurements the garment should have. Like, connect the dots. Those patterns would always be imperfect, and we would have then to fix them either by draping the garments created with them or by fixing the patterns directly. AI cannot do a fitting with a model. It cannot recognize the fit problem because those are subjective. I think merchandising, buying, and planning roles can be in danger. Maybe marketing. Nevertheless, I do not think the ones related to craftsmanship". These are the most interesting answers from the interviews, different backgrounds and disciplines, yet similar points of view.

VI. CONCLUSIONS

How will generative AI and hyper-personalization shape the façade of luxury brands for the future consumer? This is the research question that bonds this paper together. Some thoughts can be disclosed from the results, findings, and literature review to answer this ruling question.

First, from the questionnaires, we can see that there is a gap of about 33% of the participants who are still not sure about the use of AI in the luxury market; this percentage represents a target market that could be engaged or attracted to luxury brands, brands can make use of hyper-personalized products or experiences to create a relationship with the consumers that are still not sure about the technology but they do are part of Gen Z, and as such technology has been part of their lives since the day they were born. Gen Z is concerned with the environment and transparency; for luxury brands, this means they will have to be fully transparent when disclosing how they manufacture a product and how data collection is done. Also, when using AI-generated marketing, brands should inform the consumer if it is "Human-made" or "Machine-made"; this will show consumers how transparent luxury brands are, which will be reflected in their reputation.

Yes, generated AI art and illustration can be a way for luxury brands to revive and empower the story of their icons and engage with new audiences, target consumer gaps and stand out from other brands. As we can see with the Bee Bottle from Guerlain, for millennials, the perception of the brand felt like the brand was meant for older generations, very conservative. However, when the AI-generated videos of the Bottle came through, the brand's perception changed, leading to more investigation. Now, it is on the consumers' radar, and the brand has gained more followers for their Instagram account. Technology is not at all bad. It has undoubtedly allowed us to evolve as a civilization.

Nonetheless, generative AI must follow regulations and a code of ethics to avoid concerns from humankind. The fact that the technology is evolving exponentially fast requires that these regulations are also placed in time to avoid a takeover from AI.

For smaller brands like Casablanca, AI represents a way to overcome marketing budgets and compete with bigger luxury houses because AI implies more cost-effective decisions since no travelling to locations is involved and reaching the future consumer through technology and social media.

Since the future consumer is more concerned about living, the hyper-personalization of luxury goods and services will become an effective strategy for retaining consumer loyalty. After all the world events Gen Z has faced, luxury brands must understand that offering unique experiences is the way to attract this generation. Like Valentino is doing with the AI-powered chatbot, it can be easily accessible on the website and on the app and provides a unique experience that will target the preferences of the consumer; moreover, it offers inspiration from their brand, leads the consumer to a specialized stylist, a Spotify playlist and product recommendations based on their style. These kinds of offerings make the brand feel innovative in the eyes of the consumer. Technology, fashion, and Luxury go hand in hand in this new AI era.

Indeed, the label "man-made", "human-made", or "human-generated" will be the mark that will add value to a luxury good; we might be facing an era in which bespoke and hyper-personalized goods and services will become the new Luxury.

Especially for luxury fashion, AI means becoming an innovator in technology. Fashion has always been a jet setter of trends; with its reach, it is also possible to establish the use of AI as an assistant to better manufacturing and retail processes, more competent logistics and probably a way to become more sustainable, which will play a role when the future consumer becomes the present consumer of a brand.

To answer the initial research question, no, there is still no winning formula for what will shape the façade of luxury brands. However, this research can become a guide of possible strategies and AI applications that luxury brands can use to expand and become resilient over time. The future consumer lives in a digital world, so there is no room for a luxury brand to be a late adopter of the technology. They certainly have the economic power to overcome the challenges presented by implementing AI in the value chain; they also have the economic power to reskill and train workers and innovate in their field, hire prompt engineers and AI artists to help tell their storytelling and that will be the way into the hearts of the future consumers.

Just like Amber Jae Stoolen, co-founder of The Fabricant, says: **“The future of fashion is not about technology replacing designers, but about how designers can use technology to create new forms of beauty.”**



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VIII. APPENDIX

Secondary Research

Bee Bottle 170th Anniversary link to AI-generated video: 1853 - 2023 - 2193

https://www.instagram.com/reel/CtZhvZJljsR/?utm_source=ig_web_copy_link&igshid=MzRIODBiNWFIZA==

Primary research

Questionnaires to consumers

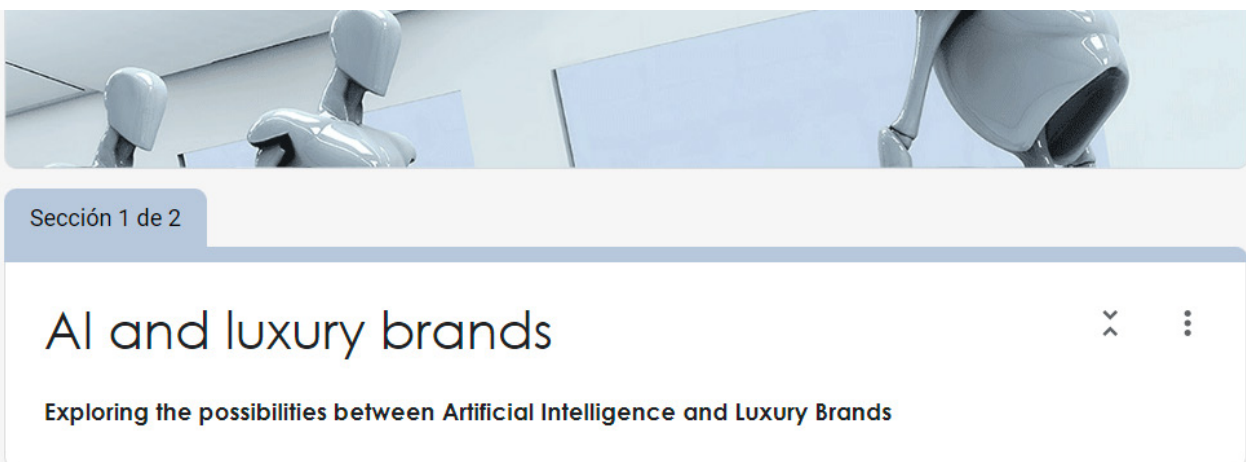


Image Caption: Moncler, AI generated image for marketing campaign 2023.



What is your age?

18-23

24-29

30-35

36-40

41-45

Over 46

Prefer no...

Range

☐☐☐☐☐☐☐

Do you agree or disagree on the use of AI (Artificial Intelligence) to create or edit images for marketing campaigns? *

☐ Agree

☐ Disagree

Do you believe that luxury brands embrace technology quickly? *

- ☐ Yes
- ☐ No
- ☐ Maybe

If you were to buy a luxury item, would you expect it to be 100% personalized to you? *

- ☐ Yes
- ☐ No
- ☐ Maybe

Do you think that Artificial Intelligence will take over any kind of human interaction, from design to sales, in luxury goods? *

- ☐ Yes
- ☐ No
- ☐ Maybe

Do you think that the luxury industry is fully utilizing the capabilities of Artificial Intelligence? *

- ☐ Yes
- ☐ No
- ☐ Maybe

Would Artificial Intelligence influence your buying decision? *

- ☐ Yes
- ☐ No
- ☐ Maybe

Después de la sección 1 Ir a la siguiente sección ▼

Sección 2 de 2

Thank you for taking the time to help me with my research.



-All data collected and stored is completely confidential and will be erased once the conclusions for the dissertation on The New Paradox of Luxury is finished. By submitting this form you give your consent to utilize the data collected.-

Any questions about this dissertation for MA Luxury brand management can be made to:
v.vazquez@students.rave.ac.uk

Professor Adam Andrascik [link to Profile](#)

<https://www.ravensbourne.ac.uk/people-and-stories/meet-team/adam-andrascik>

Professor Andrascik Interview (VL is referred to as Victoria Lopez and AA as professor Andrascik's answers) interview was held on Teams on July 17th 2023 for 15 min , however it was not recorded on video.

VL: Good Morning Adam, nice to meet you.

First of all I wanna thank you for taking a few minutes of your time and have a chat with me about how AI is infiltrating the fashion and luxury industries.

AA: Nice to meet you too Victoria, any help I can provide to guide you on your dissertation, let me know. So what are you working on? What is the topic? How can I help you?

VL: Well, I am working on my final dissertation for Luxury Brand Management, my topic is how will generative AI shape the façade of luxury brands for the future consumer. I am reaching out to you regarding AI and asking how deep I should go into explaining how AI works for people that do not belong to the tech industry?

AA: I think you should keep it simple and basic, explore the main concepts and define them very simply, you can try to look into Stability.AI, they have a very simple way to explain the technology, this can help you.

VL: Thank you Ada, for the tip. If you don't mind answering three questions about the topic, I would really appreciate it.

AA: Not a problem.

VL: Do you think that AI would fully take over the creative process to produce a luxury good?

AA: If we look at history and how clothing is made, for centuries, the way humankind has created clothing has not changed, there still is the taking of measurements, the draping and the patterns, the sewing, cutting, lots of manual labour that until now and with technology evolving is still being created by human hands. However, if robotics evolve as fast as AI, history could change, but the scenario in the middle term seems to be that fashion is created by humankind.

VL: Very interesting, so do you think that the craftsmanship of luxury houses will be replaced by a fully AI generated product?

AA: I think that for luxury houses it will be a must to be completely transparent, being fully honest with the consumer would play a massive role when it comes to the manufacture of a luxury good. Because some processes have already been automatized, like sewing machines or laser cutters for textiles, creating and putting together a collection still involves much craftsmanship from skilled workers. So, for a luxury product that has used other kinds of technologies, transparency and the label "Man-made" or "human-made" will be how luxury houses could still retain the value of their products, and craftsmanship will still be valuable in the future.

VL: Thank you Adam, I guess it does make sense that up to now, the process of making fashion goods has not changed that much, even with new technologies, they may have become faster processes. I do have one more question for you though. What would be your concerns about the use of AI in fashion and luxury brands?

AA: There are for sure ethical concerns, regarding the loss of jobs in the industry, I think most of the marketing jobs might be in danger of being replaced, but it also means that there might be other opportunities and new career paths for a lot of people. Technology is part of our daily lives now, so it is not something we can just forget and disregard, we have to adapt to the challenges.

VL: Wow, you just gave me a lot of things to think about, good things, and a good direction, thank you so much for your help.

AA: Anytime, reach out if you need further help. Bye.

VL : Thank you, I will. Bye.

Professor Maria Pombo link to Profile

<https://www.newschool.edu/parsons/faculty/maria-elena-pombo/>

Professor Pombo's questionnaire

Professor Pombo could not be reached for an interview via Teams due to her being an artist in residence for the summer in Italy, which is why a questionnaire was sent out to her, to know her point of view on Luxury brands and AI. Her answers were:

Name

1 respuesta

Maria Elena Pombo

What do you think about the use of AI in fashion?

1 respuesta

It depends. I think in some cases it could be helpful.

What would be your concerns about the use of this technology in a creative field?

1 respuesta

None. Maybe I'm ignorant or innocent. Technologies change and we have to adapt.

In your opinion, would the craftsmanship of luxury houses could be replaced by a fully AI generated product?

1 respuesta

I don't think so, but more because consumers, especially the ones buying at luxury houses, but also the dream of the craftspeople and designers. Maybe they can use it to help them, but I don't think it would replace it.

In terms of the making of the garments, I really doubt it. Maybe if it gets more advanced... I worked as a technical designer at Michael Kors and we would create patterns by inputting numbers on a grid of measurements the garment should have. Like connect the dots. Those patterns would always be imperfect and we'd have then to fix them either by draping the garments created with them, or the patterns directly. AI cannot do a fitting with a model. It cannot recognize the fit problema because of those are subjective.

I think merchandising, buying, planning roles can be in danger. Maybe marketing. But I don't think the ones related to craftsmanship.

In your opinion, what does the implementation of AI in the fashion industry will mean for big luxury houses? and for smaller luxury brands?

1 respuesta

I don't think smaller luxury brands will be able to afford it. I think for big luxury houses, they might prefer to still pay employees. Design and craftsmanship roles are not expensive. Those people are severely underpaid.

Finally, from your point of view, until what point can a product or service be fully hyper-personalized for a consumer?

1 respuesta

Ready to wear clothes are a somewhat new phenomenon. It didn't exist 100 years ago. People would have their clothes made for them, or make them themselves. In many countries around the world this is still normal. I had many of my clothes made by a seamstress when I lived in Venezuela. So the normal thing has been for the clothes to be personalized for a consumer. All bodies are different and standardization of clothes had many mistakes. I worked as a technical designer at Michael Kors and we had around 5 fit models. 3 for missy ("regular"), 2 for plus-size and 1 for petite. The 3 fit models for missy were all the same height (around 1.75m) and the same clothes size (US size 6) and measurements. But still, they all had different skin firmness and were different ages, so gravity had affected them all differently (older models had their breasts at a lower point). The clothes we would fit on one model, would not fit another so good, and so on. I don't know if it's possible to go back to a personalized system. People somewhat personalize things themselves.

**“The future is the most expensive
luxury in the world”.**

THORNTON WILDER, PULITZER PRIZE