The INTERLINE

MAGNET

AI



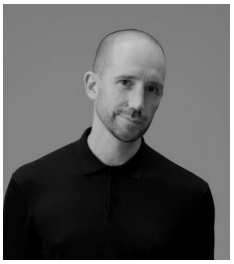
REPORT

#2024

Conceptual art by Baris Gencel

Images & art

*The front cover artwork for this publication was designed by **Baris Gencel**, an AI creator who now serves as Group Director for Digital Transformation & Innovation at Lanvin Group. Throughout this report you will find a mixture of traditional photography, art, and illustration, as well as AI-generated elements across all those categories. The Interline will continue to commission artists for all of our downloadable reports, and we endeavour, wherever possible, to use AI tools that are trained on licensed content for which original artists are compensated in some way - although the setup of AI services and the uncertain provenance of AI training data makes this difficult to guarantee.*



INTRODUCING THE AGE OF AI

BY BEN HANSON,
EDITOR-IN-CHIEF, THE INTERLINE

WELCOME TO THE BEGINNING OF OUR JOURNEY TO CHART THE EVOLUTION OF ARTIFICIAL INTELLIGENCE, AND UNDERSTAND ITS PLACE IN FASHION IN 2024 AND BEYOND.

As technology hype waves go, there's only one in recent memory that equals the fervour that's currently swirling around artificial intelligence. And that's the dot com rush and the rise of the internet.

Whether a direct comparison between AI and the web is accurate or useful is honestly beside the point: as a business you simply need an AI strategy in 2024 the same way you needed a web strategy in the late 1990s.

Which is to say that it feels, today, like everyone is demanding an immediate answer from you, to an evolving question where the end state is essentially impossible to predict.

Try to think about it like this: without the benefit of the hindsight we all now have, would you have been able to forecast when, where, and how deeply the fledgling internet was going to change our personal and professional lives? Would I?

Could anyone have really seen, looking at a loose cohort of scrappy startups and scientists, how a synergy of software, hardware, protocol and infrastructure would unlock everything from remote working and streaming media to the gig economy and progressive web applications?

With any ill-defined question with a short timeline for responding, it's extremely difficult to tell, in the current moment, whether your developing answer is heading in the right direction or not. Are you doing the right thing with AI here and now, considering how important it could eventually become? Is anyone? And are they doing it by design or by luck?

All the same, just as the word on everyone's lips in my late teens was "online," right now investors, analysts, partners, users, communities, media, lawyers - everyone wants to know where you, as an organisation, stand on AI. And like the frenzy around the web, "waiting and seeing" feels analogous to letting a potentially epoch-defining moment pass you by.

Whatever you do, the market says, you should be working to put AI in it. Not in the future. Today.

And there are, to be clear, a lot of reasons to be amenable to that attitude.

Behind the scenes, in academia, science, and R&D, deep learning, neural networks, narrow models and other techniques that fit under the umbrella of AI have been achieving remarkable things for years. They've beaten the best human minds at even the most combinatorially difficult games and challenges. They've helped decipher burnt and otherwise unreadable ancient scrolls. They've uncovered novel classes of antibiotics. And yes, they've both supplemented and supercharged human workers and, in some cases, they have straight-up replaced people's jobs.

Even before we get to the 2022-onwards explosion of interest in AI, the overall trajectory of machine intelligence as a revolutionary engine of discovery, automation, efficiency and scale was on a quiet but consistent upward curve. There might not have been so many consumer-facing businesses being built on top of it, but AI was doing anything but standing still.

Then generative AI blew the lid off the entire industry - technically and commercially.

After an apparent 100 million people signed up for ChatGPT (a Generative chatbot built on top of a Pre-trained Transformer architecture, hence the acronym) in record time, transformers and diffusion models (the systems behind popular generative image and video models, that create order from noise) quickly became synonymous with "AI" for most people.

Rapidly, both trade and general media were consumed with stories about this new class of AI sparking a revolution in the way we live, work, and create. There had, of course, been chatbots before, but it didn't take long for most of the world to coalesce around the realisation that this time was going to be different.

And equally quickly it became apparent that there was a lot of money to be made from this new category of AI tools - especially for the companies that prove themselves able to successfully read the room, sidestep cultural and ethical pitfalls, and pare down the wild possibility frontiers of large, general-purpose AI models to create focused solutions and applications that will become foundational to people's personal and professional lives.

This is why we have seen - in the space of just 18 months - an entirely new crowd of consumer and enterprise applications being built on top of these new, always-evolving generative AI models. And even established vendors of enterprise platforms and applications have made rapid moves to integrate AI capabilities into their existing solutions where they see opportunities to either change the end user experience or to offer new ways to manipulate, interact with, and surface insights from data.

So the race is on for AI toolmakers in fashion - at a scale and at a pace that reflects a similar transition the wider world is undergoing, whereby AI is breaking free of the confines of dedicated apps and becoming integrated into a wide range of applications, services, devices, and appliances.

If we want any further evidence, from beyond the walls of fashion, that AI is now seen as the next wave of technology as a whole, we needn't look any further than the CEOs of Microsoft and Google describing it as a galvanic, species-level event on the same order as the taming of electricity or fire. It's also certainly noteworthy that 2024 could be the last year where we'll have the option to buy computers, phones, and tablets that are not also billed as "AI devices". And that's without considering the fledgling new category of wearable and ambient AI hardware designed to run small models on-device and then tap into larger ones on the cloud.

This is more than just a theoretical milestone when we think about how fashion uses its top-end computing hardware. Today, the most acute demand for power comes from 3D and digital product creation teams, who need dedicated GPUs (graphics processing units) for local simulation and rendering. Are these same teams about to start clamouring for new hardware with both GPUs and NPUs (neural processing units) to run the AI assistants designed to help them with inspiration, material choices, pattern development and so on?

It's precisely this line of thinking that places me squarely in the "AI optimist" camp, because of the simple rarity of innovation happening on this kind of scale. Perhaps coincidentally, the introduction of the first GPU happened in the late 1990s - around the time the dot com boom was at its apex. And the changes brought about by that introduction of task-specific hardware are hard to overstate, from the predictable (huge leaps in real-time computer graphics) to the unintended (cryptocurrency mining).

When an entire industry aligns around the idea that a software advance is momentous enough to demand a completely fresh approach to hardware and infrastructure, change tends to happen quickly.



Which is why I personally believe it's right to be excited about the potential of AI in general. And which is especially why I believe that AI is going to have a marked impact in fashion, since ours is an industry already deep in the throes of digital transformation, where new technology is meeting tradition and creativity every day - and also an industry where automation and efficiency are high on the agenda.

This positivity is evidenced by the sheer number of applications and solutions that are now available for both domain-specific deep learning tasks and more general-purpose analysis and assistance. From language, image, and video models to generative pattern development, material yield optimisation, business intelligence, pricing, planning and competitive analysis solutions, AI in fashion is here to stay.

And if you're able to envision using AI to streamline a task or transform the way a team works, then the odds are good that either a large tech company or a disruptive startup is already building an application to support that vision. You'll find many of these companies profiled, and their senior executives interviewed, later in this report.

But while I'd pigeonhole myself as an AI optimist (but not an evangelist) even that pragmatically positive position can be an unpopular one when we consider the distaste that parts of the creative community have for generative AI in particular.

That sentiment originates from the fact that, as deployed in general purpose, cloud-native solutions like ChatGPT, Gemini, Midjourney, and so on, has largely been trained on a very opaque data set that, for all intents and purposes, includes the whole of the 'publicly available' web. Contained within that vast dataset is a huge corpus of art, music, literature, architecture, design, thought, and, yes, fashion - the majority of which was ingested as training data for these models without the permission of the creators. And for artists, designers, architects, photographers, and other creators, it feels galling to see new work being synthesised from unlicensed elements and attributes of their entire oeuvres.

This is more than a philosophical complaint, too. Right now the largest AI companies are being litigated against by publishers, authors, comedians and image libraries, on the grounds that the training of models like DALL-E and GPT4 (and its successors) constitutes something closer to theft than fair use. How those cases are resolved will have deep ramifications for how general purpose AI is trained, especially as more creators and aggregation platforms sign licensing agreements that, by default, include fashion content.



Much of the current wave of AI solutions for fashion is focused on sidestepping precisely this issue, with either finetuning or bespoke training designed to ensure that copyright data does not enter or leave the confines of the application, and that the model delivers outputs that align with a particular brand's knowledge graph, heritage and identity.

And there is also concurrent work happening to improve the attribution and traceability of AI-generated content, as well as to ensure that the results put out by large models reflect the values and diverse perspectives of the communities that use them.

Overall, when it comes to AI there is clearly a cultural evolution happening inside a technological revolution, and the answer to a lot of forward-looking questions about the direction of those twin forces is that nobody quite knows what will happen next. Whether we're talking about attribution and copyright, capabilities and use cases, or new and untested business models, unpredictability remains the watchword. And it's also important to remember that with transformer models, even the companies that created them have only a limited understanding of how they work, mechanistically speaking.

We are, in effect, barrelling into the age of AI the same way we barrelled into the web era. There will be uncharted frontiers to push back, some companies will become casualties while others achieve stratospheric valuations compared to where they stand today. Like the march of the internet, fortunes will be made and broken quickly, and the eventual future will be unrecognisable in ways we cannot predict.

Against that backdrop, what matters in the here and now is finding AI solutions (or platforms that incorporate meaningful AI capabilities) that will deliver quantifiable value for you, with use cases that can be successfully integrated into existing workflows, teams, and communities in a way that empowers and creates trust at the same time as challenging entrenched expectations.

This report - our first but certainly not our last to tackle AI - is designed to help provide a framework for finding those solutions, and to building the foundations to turn them to your advantage. Over the next 150+ pages you'll find editorials and thought leadership pieces from across our contributor and contact network (including a joint technical primer and cultural exploration of AI from yours truly) as well as profiles and interviews of leading AI technology vendors, and a first-stage analysis of the AI technology market for fashion.

This has been, I realise, a very different introduction to what readers of our prior reports on PLM, DPC and Sustainability have come to expect. But AI represents a very different prospect: a radical transformation across software, hardware, creativity, culture, and much more, affecting fashion itself and the wider world it pulls from and exerts a pull over.

I hope this report helps you to understand what AI is, why it has become such a visceral force so quickly, and what you can do, today, to translate possibility into practical reality. The Interline will be here throughout the journey.





BOLD METRICS

www.boldmetrics.com

Founded: 2017

Bold Metrics' AI body data platform is a digital twin solution that assists apparel shoppers in finding their optimal size and fit, while concurrently aiding retailers and brands in boosting Average Order Value (AOV) and Conversion Rate (CVR), while decreasing returns. From just 4-6 simple shopper inputs, the Bold Metrics' generative AI technology accurately determines critical points of measure to create unique digital twins of shoppers with over 50 body data measurements. The technology combines shopper body data with brand-specific garment data, providing tailor-level accurate size recommendations that show how an item will fit across critical points of measure — allowing shoppers to choose their best size based on their personal fit preference.

Pricing model: Yearly SaaS model.

HEADLINE CUSTOMERS

Amsale	Helly Hansen	Retrofete
BlueDelta	Jaanuu, Inc	Sartoro
Burton	LT Apparel	Scuba.com
Canada Goose	Mac Duggal	SIMMS Fishing
Charles Tyrwhitt	Madhappy	State & Liberty
Columbia	Mens Wearhouse	SuitShop
DXM	Meshki	Sun Day Red
Eph Apparel	Mizzen + Main	Threadmark
Fire-Dex	New Balance	UpWest
girlfriend collective	PACT	Vuori
Halfdays	Patagonia	**plus many more.*
Haspel	PopLinen	

BOLD METRICS

www.boldmetrics.com

Founded: 2017

TECHNOLOGY PARTNERSHIPS, INCLUDING:

Bambuser	Parcel Lab	Spectrum
Endear	Particl	Stylitics
Loop Returns	Recurate	Volumental
Optoro	Ryder Commerce	*plus many more.

What role do you see your application playing in the future of AI for fashion?

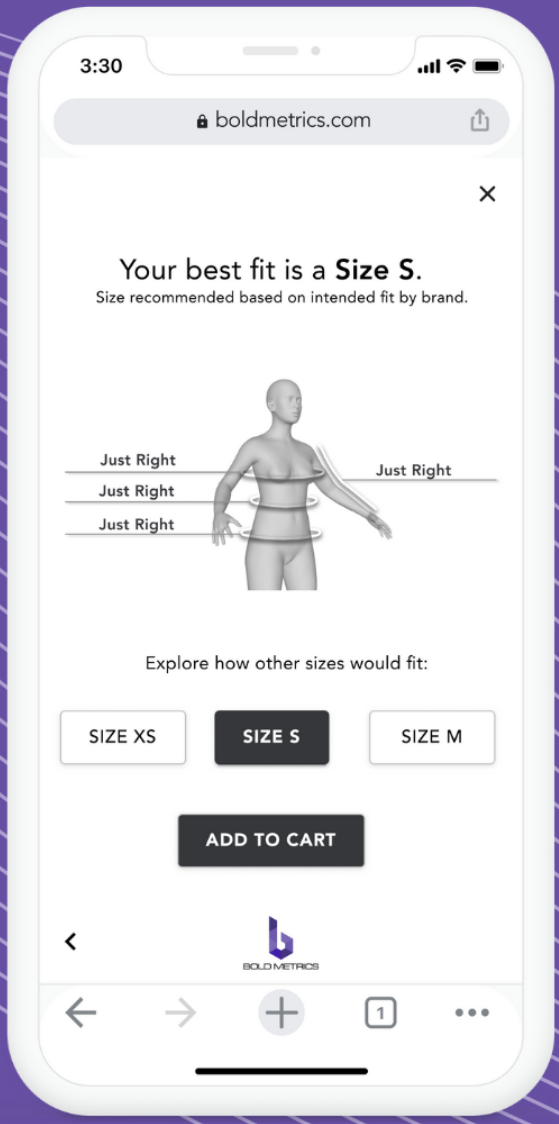
In today's rapidly evolving apparel landscape, technology is playing an increasingly pivotal role in how apparel brands approach size and fit. Bold Metrics digital twins and generative AI solutions help brands better understand and meet the needs of their customers.

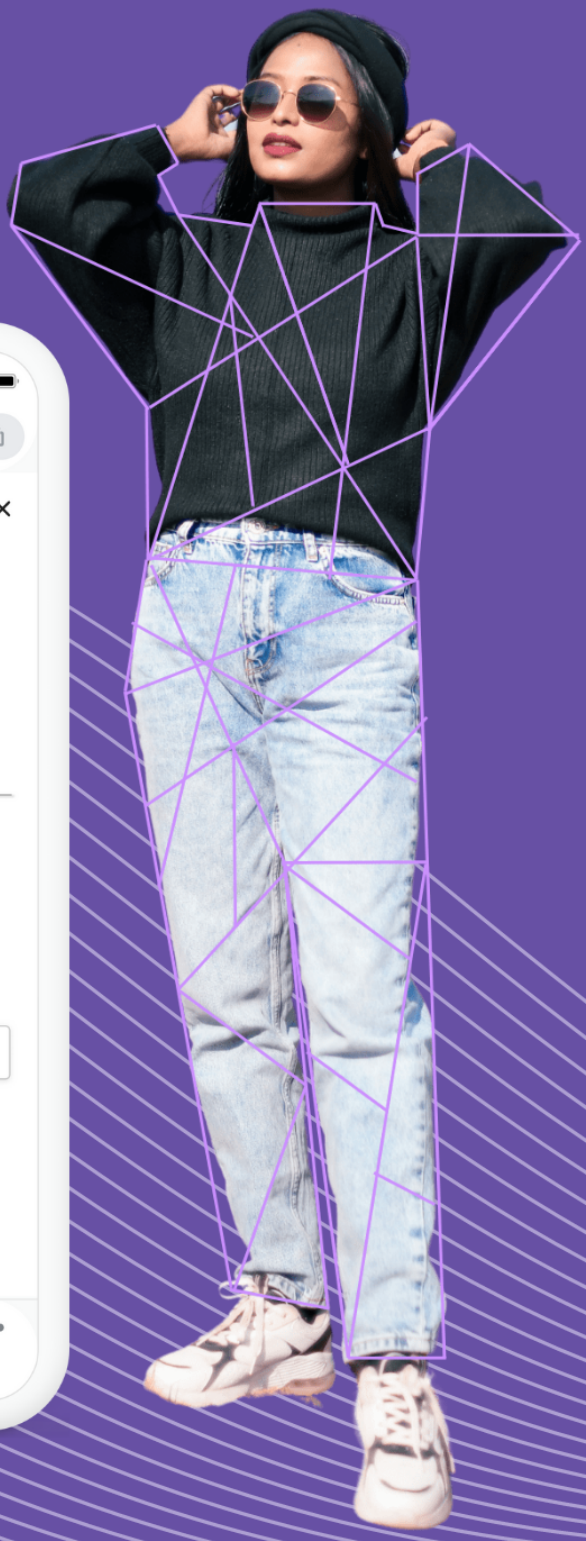
While size charts and brand comparison tools may serve as a starting point for consumers and brands navigating apparel sizing, they are often limited in their accuracy, standardization, and personalization. To overcome these limitations and provide a more seamless and personalized shopping experience, brands using Bold Metrics are going beyond simple size recommendations, unlocking the power of actual shopper body data to improve apparel design and reduce returns at their core. Pairing these data-driven body insights with more accurate and tailored sizing recommendations ultimately improve customer satisfaction and loyalty, elevating the apparel size and fit experience, and driving increased conversion and average order value.

CONTACT US

Unlock the Power of Body Data with AI Sizing Solutions

Discover Bold Metrics





BOLD METRICS



DAINA BURNES

CO-FOUNDER, BOLD METRICS

What's your working definition of AI? Does it differ from the public understanding, which is currently dominated by large language models and generative text-to-image models? And how does that definition manifest itself in your solution(s)?

Much of the recent popularity in consumer accessible AI applications is based on the context of natural language, text, or image-based prompts. AI also holds the power to analyze vast amounts of multi-dimensional quantitative data to extract information and predictive insights that hold the potential to drive actionable outcomes.

In the context of Bold Metrics, AI manifests itself in our size and fit solutions by accurately creating a shopper's digital twin – represented with more than 50 body measurements of that shopper – and providing garment-specific size recommendations tailored to that individual's body shape and fit preferences. Our AI-powered system considers a multitude of factors, including body measurements, garment specifications, and continuous machine learning on purchases, and returns behaviors to deliver personalized sizing guidance that enhances the shopping experience for consumers and drives tangible results for our clients. By harnessing AI's capabilities toward a practical application in the apparel industry, we're revolutionizing the way people shop for clothes and helping brands gain access to digital twin body measurement data at scale.

Beyond the technologies themselves, the current AI era has also opened up a wider willingness to challenge long-standing and traditional ways of working in almost every area of fashion. When we consider the tools the industry uses for sizing and fit - both in-house and consumer-facing - there definitely seems to be an opportunity for disruption. How are you deploying generative AI, and in concert with what other technology, to encourage creators and consumers to rethink fit and size?

Historically, size charts have been the traditional approach to assisting consumers with sizing, and while they offer an entry point for fit guidance, they are quite limited in utility as consumers typically do not know their detailed body measurements. Sizing tools that ask about one's size in other brands, require taking full body photos or using measuring tapes risk detracting from the experience, and present hurdles in the purchase process. Bold Metrics generative AI platform has overcome these limitations to provide a more personalized, accurate, adoptable, and adaptable sizing experience, leading to improved shopper confidence and reduced returns.

We deploy generative AI in a multitude of vectors, first with our digital twin technology – creating a "twin" of each shopper. From just 4-6 simple shopper input prompts, our generative AI technology accurately determines critical points of measure to create unique digital twins of shoppers with over 50 body data measurements. There is no requirement for a measuring tape or taking a full body picture/s of oneself, with our proprietary AI technology generating the digital twin directly from the survey prompts. The technology combines shopper body data with brand-specific garment data, providing tailor-level accurate size recommendations that show how an item will fit across critical points of measure — allowing shoppers to choose their best size based on their personal fit preference. The system continuously learns over time, with a built-in feedback loop system consisting of purchase and returns data associated with the digital twin data. By tracking user journeys and monitoring purchase and return behaviors, the system gathers valuable feedback to enhance future fit simulations. This continuous learning loop enables the technology to adapt and evolve based on practical application data from customers of a specific brand.

Ultimately, the growing dataset of consumer digital twins paired with garment data and purchasing behaviors allows creators to harness body data insights to design based on their actual shopper's body data instead of the generalized population studies or fit models that the industry typically accesses.

As we have seen throughout this report, another key use case for AI is extracting new insights and new value from both novel and pre-existing datasets. For direct-to-consumer brands and retailers, body and sizing data fits into both those categories: organizations already hold historic and aggregated information, but tools like Bold Metrics are also opening up new data streams and new links between datapoints. How do you see AI changing the data that's available to brands and retailers, and changing what they are able to do with that information?

Generative AI is bringing entirely new data sets to brands and retailers. Behind the scenes, anytime a consumer engages our solutions and responds to the survey prompts to receive a size recommendation, that consumer's digital twin body measurement data is being captured and related to their purchase and return behavior. This AI body capture creates the same detail of body shape and measurement data as though their customers had stepped into a highly accurate 3D body scanner, but without the cumbersome scan.

This 3D digital twin data is a game-changer for the apparel industry. Never before have brands and retailers had a practical way to collect this data at scale, short of installing physical scanners in stores (a solution that is neither scalable nor practical) the industry as a whole has been relatively blinded to their customer's real body measurement data and how it relates to their fit coverage across their demographics. The ability to break down customers' body measurements by product and purchase/returns can completely change the product design process, allowing for a data-driven quantification of their fits and size gradation systems. This has the power to greatly impact overall return rates with better-fitting products that enter the market in addition to a better capture of the overall market with more apt fits for diverse body shapes and sizes.

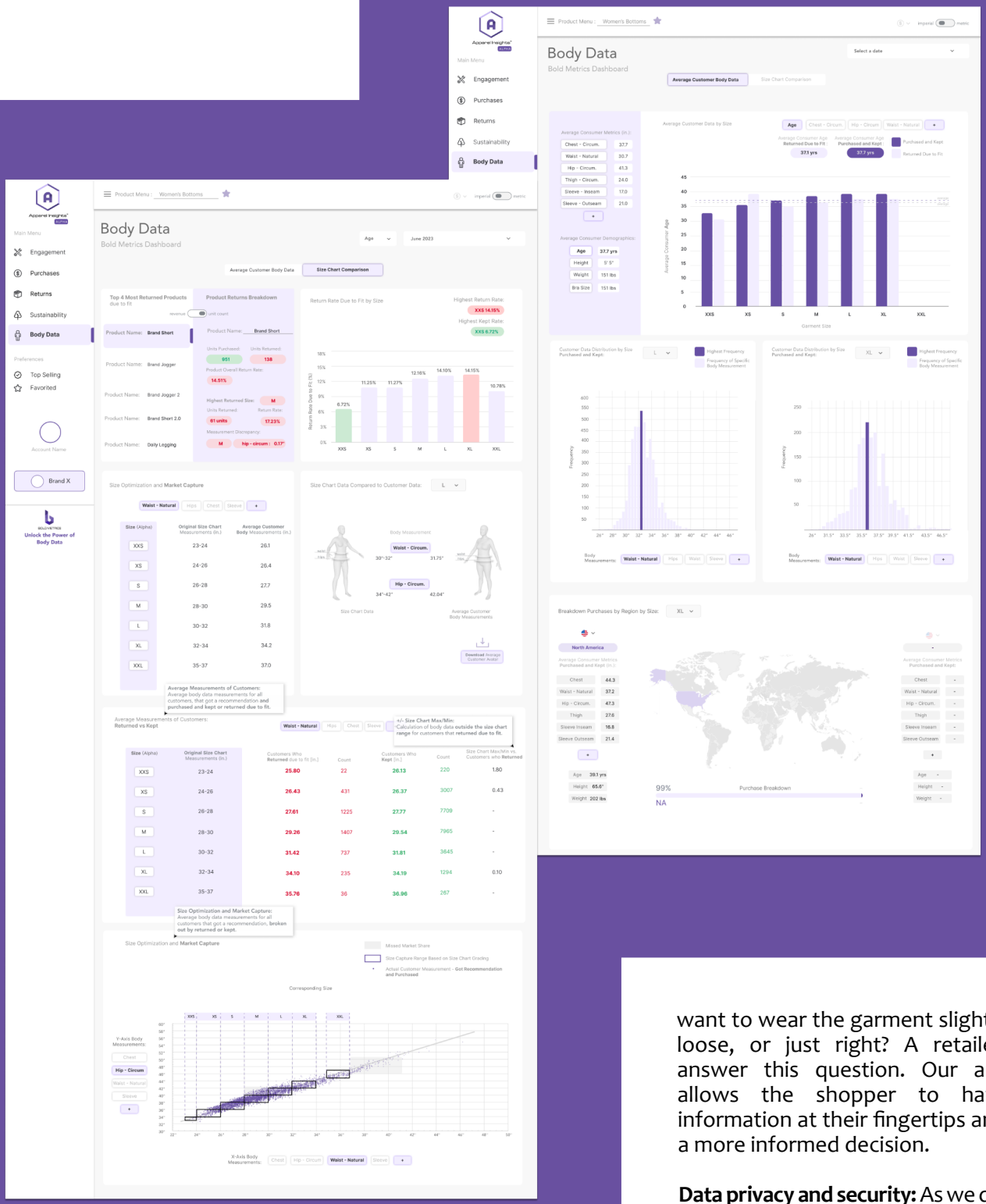
There is a drive within both AI and retail, right now, towards personalisation. For AI initiatives this means moving from off-the-shelf models to models that are trained on either a brand's DNA or a consumer's knowledge base and preferences. For retail, it means adapting offers, experiences, communications, and channels to meet the consumer. With Bold Metrics you're trying to tackle both - allowing consumers to shop with personal fit preferences in mind, and giving retailers access to this information, and also deploying AI in service of building an understanding of the extreme subjectivity of fit. How do you see this developing from here?

The convergence of AI and retail towards personalization represents an exciting frontier in the industry, and Bold Metrics is at the forefront of this movement. We're tackling both aspects by leveraging AI to empower consumers to shop with their personal fit preferences in mind while also providing retailers with valuable insights into customer body data and sizing needs.

Moving forward, we see this development evolving in several key ways:

Deeper Insights for Retailers: By harnessing AI to build a deeper understanding of the subjectivity of fit, we'll be able to provide retailers with actionable insights into consumer preferences and behavior. This includes identifying trends and patterns in sizing preferences across different demographics and geographies, enabling retailers to optimize their product offerings and strategies accordingly.

The power of preference: Allowing consumers to purchase based on their personal fit preferences will becoming increasingly important as demand for personalized experiences grows. Does the individual



want to wear the garment slightly snug, loose, or just right? A retailer can't answer this question. Our approach allows the shopper to have this information at their fingertips and make a more informed decision.

Data privacy and security: As we deploy AI to collect and analyze increasingly granular data about consumer preferences and behavior, we'll also need to prioritize data privacy and security. There's no registration, no storage of sensitive information — no personally identifiable information (PII) data is required by our technology. We prioritize data privacy and security, taking a very strict approach to never store or collect any PII.

Overall, we envision a future where AI-powered personalization transforms the retail experience, enabling consumers to shop with confidence and retailers to better understand and meet the needs of their customers. At Bold Metrics, we're excited to continue driving innovation in this space and shaping the future of retail with our AI-driven size and fit technology solutions.

For a lot of organisations, the biggest unanswered questions in AI all swirl around return on investment, which is either uncertain or difficult to measure in a lot of use cases. That may not be the case here, though, since fit is at the root of more than 75% of all apparel returns, so if an AI solution can replace the guesswork, averaging, and uncertainty that both retailers and consumers experience then it can potentially have a real and quantifiable bottom-line impact. How is that impact going to be realised?

Fortunately, our ROI is very measurable and realized by our clients. When it comes to fit and sizing, there are three dominant KPIs we measure where our clients experience a direct ROI: Returns decrease, conversions lift and average order value increase.

Being that 75% of all apparel returns are due to fit, and with rises in bracketing behavior due to poor size communication, brands should consider generative AI as a way to combat returns. By providing consumers with accurate sizing recommendations tailored to their individual preferences and body shapes, brands can significantly reduce return rates due to consumer error in purchasing the wrong size or engaging in bracketing behavior. This reduction in returns directly translates to cost savings for retailers, as they incur fewer expenses associated with processing returns and restocking inventory. On average, we drive an 18% reduction in fit-related returns when consumers follow our sizing recommendations.

Accurate and personalized size recommendations give shoppers purchase confidence in addition to enhancing the overall shopping experience. The ease of the Bold Metrics user experience has been proven to aid in the purchase process, as measured by conversion lifts and the propensity of customers to increase their overall order value. On average we drive an average 232% increase in conversion when shoppers engage our solution/s. With that increased purchase confidence, we also measure increased purchase quantities by consumers, with a 32% mean increase in average order value.

The combination of realized impact associated with increase conversion rate, average order value and reduced return rates for shoppers that engage our solutions, brands and retailers can quantify a meaningful ROI that is typically tens of multiples above their investment in the system.

What do you see as the near-term future of AI - both within your solution(s) and in general? Do you believe it will be a transformative class of technologies the way people expect?

The near-term future of AI holds immense promise, both within our platform at Bold Metrics and in general across industries. We believe that AI will continue to be a transformative class of technologies, reshaping the way we work, live, and interact with technology.

Within Bold Metrics, we see AI playing a central role in further enhancing the accuracy and effectiveness of our size and fit technology solutions. This is in addition to actionable insights that can be leveraged throughout a retail organization such as in technical design, merchandizing, targeted marketing, and other optimizations that can be realized on the data that the Bold Metrics AI system generates. We're continually innovating and leveraging AI to provide even more personalized and seamless shopping experiences for consumers while delivering actionable insights and quantifiable ROI for retailers.

In general, we anticipate AI becoming increasingly integrated into everyday life, driving efficiencies, improving decision-making processes, and unlocking new opportunities across various sectors. From healthcare and finance to transportation and entertainment, AI will revolutionize industries by automating tasks, analyzing data at scale, and augmenting human capabilities.

While there are undoubtedly challenges and ethical considerations to navigate, such as data privacy and algorithmic bias, we believe that the potential benefits of AI far outweigh the risks. By fostering collaboration, innovation, and responsible AI development practices, we can harness the transformative power of AI to address some of the world's most pressing challenges and create a more inclusive and sustainable future for all.

Overall, we're optimistic about the near-term future of AI and its potential to drive positive change and innovation, both within Bold Metrics and beyond. As AI continues to evolve and mature, we're excited to be at the forefront of this technological revolution and to contribute to its transformative impact on society.

MARKET ANALYSIS

ADDRESSING MISCONCEPTIONS, TRACKING PRICING AND ADOPTION, AND CREATING A BASELINE FOR UNDERSTANDING THE MARKET FOR AI SOLUTIONS IN FASHION.



Conceptual art by Baris Gencel

WHAT CONSTITUTES AN AI SOLUTION?

When The Interline's team set out to create this report, our first task was to draw a line around AI solutions in order to separate them from the market analysis we have previously conducted in our reports on PLM, DPC, and Sustainability.

This proved extremely difficult in practice - not least because effectively every piece of enterprise and consumer software sold or given away in 2024 either has an AI component to it, or is developing some measure of AI integration or capability as part of their roadmap.

To narrow the market scope down for the purposes of this analysis (and the wider report around it) we settled on a few key criteria. To qualify as an AI solution for fashion, a platform must be commercially available and have paying customers in fashion, it must have direct use cases in apparel, footwear, or accessories, and it must be either an AI-native solution (where the product is indistinguishable from its AI capabilities) or a proven application that has had meaningful AI capabilities added to it that are likely to deliver value to fashion businesses at some stage of the value chain.

Obviously this still creates a very broad remit, and the primary conclusion from the work that went into assembling this report is that there are far too many AI solutions claiming to cater to fashion to count.

But the most critical paring-down step we took was to limit the purview of this report to companies that are commercially active and have ongoing customer relationships with brands that we were able to identify.

From the solutions that reached this bar, we then worked with a selection of 14 directly to interview their executives, gather their pricing model, customer names, geographical distribution and other datapoints. The "meet the key players" section prior to this one includes these details and interviews, and can be used as a starting point to make more informed choices about which AI solutions - if any - to shortlist.

In addition to this, we also canvassed publicly available information on other AI companies - both newly-emerged AI startups and scaleups, and established technology vendors that have now added noteworthy AI capabilities to their solutions.

It is important to note that the data we obtained from that broad canvassing has only been used for qualitative analysis here, while the direct information we were given by vendors contained within these pages has given us the ability to run more quantitative comparisons.

Finally, not included in this analysis are the major enterprise AI companies that do not specifically cater to fashion or retail. We do not consider OpenAI, for instance, to be a fashion AI company, and neither do we consider Cohere or even Microsoft to be fashion companies either.

Our focus with this initial baseline analysis is to begin understanding what the market for fashion-specific AI tools looks like, and how that market is likely to develop in the near future. Working from this baseline in future years, we will assemble more granular and complete figures to showcase growth (or otherwise).



Conceptual art by Baris Gencel



Conceptual art by Baris Gencel

MARKET BREADTH

Even taking account of the narrow selection criteria we applied to this analysis, we observed a very wide spread of use cases for AI. Within the pages of this report readers will find solutions applying AI to size and fit, applications designed to revolution enterprise decision-making, platforms built to tap into the new possibilities of generative AI, suites tailored to integrating those possibilities into existing digital product creation and digital transformation objectives, intelligent features and modules for planning, pricing, competitive analysis, supply chain auditing.

It is extremely clear that, while image and text generation are obviously the headline features of the current rush towards generative AI, there is no single dominant "AI application" any more than there is a single category of software in general.

> "THERE IS NO SINGLE DOMINANT "AI APPLICATION" ANY MORE THAN THERE IS A SINGLE CATEGORY OF SOFTWARE IN GENERAL."

MARKET COMPOSITION AND MATURITY

There is a misconception that the companies selling AI solutions are services are largely startups and scale-ups that are working to capitalise on an immature segment (i.e. one populated by inexperienced buyers, or by companies that do not have the grounding to be properly selective) by pitching innovative but unproven applications of a new technology.

It would be naive to say that this profile does not exist - like any technology gold rush, AI will attract its share of unscrupulous salespeople - but our analysis shows that around 70% of the companies that met our criteria are what we would define as "established". These are organisations that have proven their market fit, built solutions that users in the fashion sector find compelling, and are now either building new, complementary AI-first products or adding new AI capabilities to their existing solutions that are designed to fit a market need.

In this sense, while AI is certainly still an emerging software category, it would be inaccurate to say that it is a segment made up of emerging companies.

And indeed, of the 30% of technology companies we examined who we would class as startups or scale-ups, all have active customer bases - many of which include some of the biggest brand names in the world.

This is not to say that investing in AI technology is risk-free (this is not true of any software segment, however mature) but our finding is that AI solutions, by and large, are created by bigger companies than readers may expect - or by small companies that have already achieved success.



Conceptual art by Baris Gencel

PARTNERSHIPS AND INTEGRATIONS

When we examine the partnership strategies of the AI companies we analysed, we see some points of commonality - most obviously the links between business-facing applications and those aforementioned large models, and the relationships between application developers and advisors, and infrastructure and compute providers like nVidia, AWS, and Microsoft.

Beyond the pure technical level, though, we are observing partnerships between AI companies and research organisations (a lot of AI talent comes from the research and academic sector) and between companies creating AI solutions and complementary technology vendors that create applications that can take advantage of the output of those solutions. Examples include partnerships between AI sizing solutions and eCommerce platforms, links between generative AI companies and 3D design and simulation providers and rendering solutions, hooks into digital asset management ecosystems and more.

Notably, many AI companies see themselves as providing a service that they aim to make available through their own APIs - with AI output being increasingly seen as a valuable input for other processes, or, in reverse, with the critical data contained in other processes and solutions becoming an aggregate input for layers of AI that exist as monitoring, automation, workflow, and assistance tools on top.



Conceptual art by Baris Gencel

RETURN ON INVESTMENT

Another common refrain when commentators consider the potential of the AI market is that the return on investment is difficult to define. This is not helped by marketing from the biggest AI companies on the planet, which routinely points to nebulous yardsticks like "efficiency" and "productivity," and only rarely to harder metrics.

The prevailing assumption in big tech is that widespread adoption of AI will help people across a huge range of disciplines deliver measurably better work, faster, or that it will ease an ill-defined administrative or mental burden. At the time this report is being published, those assumptions are still largely untested.

It is encouraging, then, to see that fashion-focused AI solutions are anchored in more concrete metrics. Of the companies we analysed, the majority list what we define as mid-weight and / or hard metrics (a combined 77%) while the remainder trended towards mid-weight to soft metrics - i.e. their expectations are that clients will realise a combination of results that are independently, objectively measurable, and some that are harder to define and fall under the umbrella of more general productivity, quality of life, and efficiency.

Interestingly, the balance of hard to soft ROI tilts slightly in favour of the newer entrants to the market, when the expectation might be that younger companies would have a less well-defined value proposition. In practice, this difference is likely to be due to the fact that newer companies have tended to target very specific process areas with their AI solutions, whereas established enterprise companies are often aiming to deliver value across a spectrum of different functions and cost centres - making that value harder to directly measure.



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