

Can AI Save Luxury Retail?

Everyone from big-name designers to multibrand department stores are looking for ways to use AI.



BY JULIA BLACK
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What would Cher Horowitz think? (Photo by Paramount Pictures/Getty Images)
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When **Dr. Nasrin Mostafazadeh** and her husband first moved to New York City from Iran, they picked out an apartment with a very specific view: the Fifth Avenue headquarters of **Lord & Taylor**. The scenery didn't last very long.

"Seeing these big signs saying, 'Going out of business' on something that was the epitome of luxury to us.... It was so jarring," she said. I met Mostafazadeh on a bright spring morning on the rooftop of the Midtown offices of Verneek, the AI company she cofounded with her husband, **Dr. Omid Bakhshandeh**. After years spent researching machine intelligence in academia, she and her husband looked for the best application of the powerful technology. They noticed how many retailers—from everyday brands like **Walmart** up to the highest echelons of luxury—were using dated software systems that were siloed and inefficient, leading to poor business decisions and bad customer experiences.

While raising money for her company, Mostafazadeh was struck by the wholesale dismissal of the luxury retail market by VCs who "did not know what the acronym **LVMH** stands for." (That would be **Louis Vuitton Moët Hennessy** for all my tech readers.) Their loss: In partnership with **Google Cloud**, the international conglomerate is actually investing heavily in what it calls its "quiet tech" strategy, using AI to improve customer personalization.

Rather than feel discouraged by the tech world's disinterest in luxury, she decided to seize her company's opportunity to target a massive, underserved market. The start-up builds custom tools for retailers, like customer-facing shopping assistants and back-end data optimizers, from the grocery store chain **Sprouts** to the multibrand retailers like **Nordstrom**. Looking ahead, Mostafazadeh is hoping her company "makes it so that what happened to the neighbor on the north doesn't happen to the neighbor on the west," she said, gesturing to **Macy's** a few blocks away, lest it suffer the same bankruptcy fate as retailers like **Ssense**, **Matches**, and **Saks Global**.

You can probably think of a couple of pain points that Mostafazadeh's technology—which she prefers to call "augmented intelligence" aims to address. Many of these pain points can be found online, where shoppers can waste hours on an endless scroll without making a single purchase. (Natural language searches like "black loafers under \$500 with ruching at the toe stitch only" are well within the realm of what's technologically possible, but far from the reality you'd currently find on most e-commerce sites.)



Dr. Nasrin Mostafazadeh and Dr. Omid Bakhshandeh founded Verneek in 2021. BY LISA SCHIRF.

In person is more challenging. I recounted to Mostafazadeh the time I'd gone into a department store seeking a pair of Staud Wally boots, which it would seem I and every other woman in America had coveted after seeing them on **Kendall Jenner**. They were sold out. I asked a sales associate if he could recommend any similar alternatives, overwhelmed by the sprawling shoe floor. He told me he could not, so I left the building and the store lost my business.

Mostafazadeh shook her head. "That is precisely the problem we're solving." She continued, "If a store associate has access to our AI, without you even knowing" that associate should have been able to instantly access information about me and my purchase history as well as their current inventory to guide me to the perfect pair of boots that were not too pointy, not too tall, but *just* right. (As for whether they'd ask for my personal information from me directly or if it would be detected via some kind of *Minority Report*-style personalization system, I wasn't entirely clear.)

Geoffroy van Raemdonck, who has been tasked with navigating **Saks Global** out of its post-bankruptcy tailspin as its new CEO, serves as an adviser to the company. "I believe AI has a huge potential to scale white-glove service in luxury and bring efficiencies that can be reinvested in the client experience," van Raemdonck told me. "The key to capture that value is for the CEO to own the AI agenda."

Legacy luxury giants have been slow on the uptake of new technologies—something they're hoping to turn around this year by using AI to resolve supply chain issues, predict coming trends and shifts in consumer demand, and improve customer engagement during every stage of the shopping journey. After a turbulent 2025, a McKinsey report on the state of fashion predicts that the luxury sector will see "modest improvements" this year, in part as a result of those investments.

They'll have to be careful to walk a fine line between efficiency and cheapness. As my colleague **José Criales-Unzueta** of luxury when it comes to the retail experience, no?"

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In the meantime, midmarket brands are more than happy to take up the AI mantle. On a recent earnings call, **Revolve** mentioned AI no fewer than 29 times to investors. In March, affordable luxury retailer **Quince** was valued at over \$10 billion. The secret to its success has been the company's proprietary Manufacturer to-Consumer (M2C) platform, an AI driven system that helps the company forecast which of its products will attract the highest demand before it commits to large-scale production.

Quince's chief commercial officer **Matt Lippert** told me he thinks his start-up's success will be challenging for legacy brands to replicate. "It's very hard to take an old system and pivot it," he said. "We're trying to build a new system."

Still, Mostafazadeh considers the mission to restore luxury brick-and-mortar shopping something like a personal crusade. "I actually believe that the world needs department stores, that the world needs curation, and the world is in person," she said.

She is driven by the memory of those Silicon Valley VCs, who laughed when she lamented the demise of in-person shopping, telling her, "Who cares? Let them all die. **Amazon** is taking over anyway."

As she put it to me, looking out over a Midtown in crisis, "That's not the world I want to live in."