Tuijin Jishu/Journal of Propulsion Technology
ISSN: 1001-4055
Vol. 44 No. 6 (2023)

Management Optimization Solution for Fashion Retails System

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Abstract:- The fashion retail industry is a dynamic and expansive sector characterized by its ever-changing nature and continuous growth. Fashion retailing plays a pivotal role in this ecosystem, bridging the gap between manufacturers and consumers. In light of the industry's inherent volatility, the imperative of maximizing sales looms large. This research paper explores management optimization for fashion retail systems, offering innovative solutions to forecast profits, predict stock requirements, anticipate product demand, and identify top-performing manufacturers. Leveraging cutting-edge methodologies such as predictive analytics and machine learning, the study unveils a web-based application tailored to enhancing sales optimization. This application encompasses multifaceted components: profit projection, stock prediction, product demand analysis, and manufacturer performance evaluation. The construct models capable of delivering accurate insights by harnessing the power of algorithms such as Extra Trees Regressor, K-means, and Naïve Bayes. As a result, stakeholders can make informed decisions regarding future stock allocation, product assortment, and manufacturing partnerships. This paper provides an intricate walkthrough of the data preparation, model formulation, and the consequent findings from each research facet. In an industry where adaptability is paramount, the research extends a roadmap to empower fashion retail entities with the tools to navigate uncertainty and achieve sustained growth.

Keywords*: fashion retail, machine learning, sales forecast, customer segmentation, extra trees regressor, k-means algorithm, naïve bayes algorithm*

1. Introduction

The modern perspective on clothing goes beyond necessity; it encompasses self-expression, individual preferences, and cultural significance in today's society. With its ever-changing trends driven by human desires, the fashion industry has grown into a massive 1.3 trillion-dollar business. Fashion retail plays a crucial role as the intermediary connecting manufacturers and consumers, and it has undergone significant transformations in recent decades. From local markets to department stores, from focusing on local markets to expanding globally, and the rise of e-commerce, the fashion retail landscape has experienced remarkable evolution.

However, the fashion retail sector inherently poses significant challenges due to its volatile nature. Swift shifts in fashion trends, the short lifespan of products, and unpredictable consumer demands present formidable barriers to achieving profitability and optimizing sales. This research investigates how retailers can effectively navigate these challenges to maximize their sales potential.

The fashion retail sector encounters a plethora of complexities, encompassing the perpetual flux of fashion trends, abbreviated product durations, and capricious consumer preferences within an expansive consumer demographic. The inability to identify optimal manufacturers and forecast superior manufacturing practices further compounds these difficulties. These hindrances render the optimization of sales a formidable task, resulting in issues such as inventory shortages, surpluses, failure to align with consumer demands, and suboptimal capital allocation. The objective of this research is to tackle these impediments and elucidate strategies for the maximization of sales within the fashion retail industry.

The primary objective of this research endeavor is to conceptualize and develop an administrative dashboard web application with a specialized focus on augmenting sales optimization within the men's apparel segment of the

fashion retail industry. This research framework comprises four integral components, each strategically designed to enhance various dimensions of the business ecosystem. The initial component centers on the domain of Demand Forecasting, with the overarching goal of generating precise sales prognostications through a comprehensive analysis of a myriad of factors that exert influence on sales within the realm of women's attire. These prognostications are envisaged to engender a transformative impact on inventory management practices. The subsequent component redirects its attention to Predicting Top-Performing Manufacturers, characterized by the forecasting of manufacturers who have exhibited the highest levels of product sales and revenue accrual during the antecedent month. This analytical exercise assumes paramount importance as it furnishes an invaluable compass for the identification and prioritization of strategic collaborations with suppliers that have demonstrated exemplary performance. The third component embarks on Stock Prediction, with the primary objective of prognosticating the optimal inventory levels requisite for each individual product category in the impending months, with historical sales data serving as the foundational basis for these anticipations. This predictive capacity assumes a critical role in the maintenance of an optimally balanced inventory framework and the assurance of product availability. The concluding component, Profit Prediction, culminates the research inquiry by cantering on the forecasting of profits for each product and product category, ultimately coalescing into a holistic corporate revenue projection. These profit forecasts are envisioned to occupy a pivotal role in steering strategic decision-making processes within the organizational milieu, thereby facilitating an empirically grounded approach to the augmentation of sales efficacy and profitability within the sphere of men's clothing retail.

This research study endeavours to address a series of pivotal research inquiries within the context of a men's fashion retail establishment. Primarily, it seeks to construct a predictive model designed to prefigure the requisite inventory levels for forthcoming periods, thereby augmenting the efficiency of inventory management practices. Subsequently, the study aims to engage in the prognostication of the highest-performing manufacturers anticipated for the ensuing month, thereby facilitating the discernment and prioritization of strategic alliances with suppliers who exhibit exceptional performance metrics. Furthermore, the research aspires to prognosticate the forthcoming month's profitability for the retail establishment, thereby enabling a data-centric approach to inform financial planning and optimization strategies. Lastly, it endeavours to forecast the most highly sought-after products expected to dominate the market in the ensuing month, thereby equipping the retail establishment with the means to align its product offerings with prevailing customer preferences and market dynamics, ultimately fostering an enhancement in sales performance. Collectively, these research inquiries serve as the bedrock for a comprehensive analytical undertaking aimed at the amelioration of diverse facets inherent to the men's fashion retail sector.

This research study utilizes Machine Learning (ML) methodologies to confront the inherent challenges confronted by the fashion retail sector. The employment of ML techniques is predicated on its capacity to furnish dependable prognostications and discern patterns effectively. The investigation centres on four primary domains: prediction of manufacturing performance, profit projection, analysis of customer demand, and inventory requirement forecasting. Each of these facets collectively contributes to the overarching objective of optimizing sales revenue and augmenting profitability while concurrently ensuring customer satisfaction. Through the meticulous analysis of a myriad of input variables, this research aspires to endow retail executives with invaluable insights that can facilitate informed decision-making concerning sales management and the proactive anticipation of customer demands.

2. Literature Review

Over the past years, numerous studies have tackled manufacturing forecasting challenges, progressively overcoming limitations. Initially, traditional statistical techniques were the norm. However, as sales predictions grew complex and various influences impacted outcomes, researchers turned to ML methods for precision. ML methods excel in identifying intricate, nonlinear relationships among features. However, these studies extended beyond fashion retail. Some explored the food sector and soft drink industries, showcasing forecasting's adaptability across diverse domains.

Maria Elena Nenni, Luca Giustiniano, and Luca Pirolo [1]have discussed the importance of demand forecasting in the fashion industry and compared different forecasting methods. It highlights the challenges in forecasting demand in the fashion industry, such as high volatility and low predictability. The document proposes a new framework for forecasting demand based on the features of products. It also suggests using product features as forecasting units to improve the accuracy of statistical forecasting methods.

Another Research [2] discusses the importance of forecasting demand in supply chain management. It highlights the need to focus on new trends like e-business and big data to mitigate risks and improve forecasting accuracy. The Research emphasizes the value of combining human judgment and statistical models in forecasting. It also discusses the trade-off between the level of sophistication and the cost of accuracy in forecasting models. Understanding demand behavior and predicting it accurately is a critical organizational capability. Improving demand forecasting can lead to significant performance benefits, such as inventory reduction and improved inventory turnover.

Another study by Yossi Aviv [3]examines collaborative forecasting benefits in manufacturer-retailer supply chains, utilizing a scorecard encompassing inventory, production, and adherence considerations. Findings emphasize the manufacturer's explanatory power, retailer's market insight, and supply-side agility as critical factors. Conservative benefits discussed here may be amplified with improved information exchange and process enhancements. Internal service rates can play roles in performance improvement and benefit sharing.

Usha Ramanathan and Luc Muyldermans studied the importance of transparent information exchange in the supply chain [4] and its impact on supply chain performance and forecasting accuracy. The Research uses structural equation modeling (S.E.M.) to understand how different demand factors influence sales. The study focuses on a leading Soft Drink Manufacturer (S.D.M.) in the U.K. and analyzes the sales of different product families. The findings highlight the importance of collecting and exchanging supply chain information, providing insights for promotional planning and forecast accuracy. The document also provides an overview of the case company and data description. The Research concludes that understanding demand structure and using the identified factors in causal forecasting methods can assist managers in collaboration and decision-making.

Another study [5] discusses the accuracy of forecasting retail sales in department stores. It concludes that accurate forecasts can be made if the data reflects the underlying process and is not distorted by accounting practices. The study found that forecasting models used for manufacturers also work for retail sales, indicating that retail time series is not a unique case requiring special models. The document suggests that retailers can use theories and methods developed for manufacturers to create accurate sales forecasts. It emphasizes the importance of using data that represents the underlying process and is not distorted by atypical events or accounting practices.

Additionally, a recent study [6] investigates the dynamic and rapidly evolving fashion retail industry. This research focuses on women's clothing and aims to maximize sales in the fashion retail sector by analyzing and exploring product and consumer behavior. It leverages big data and ML techniques, including the Extra Trees Regressor algorithm, K-means algorithm, and Naïve Bayes algorithm, to optimize sales through sales forecasting, customer segmentation, and customer demand analytics. The study provides insights into the potential of ML in addressing the challenges faced by the fashion retail industry.

3. Methodology

In this section, it is deliberated upon the methodologies employed in the present research, which pertains to the development of a machine learning-based sales optimization system. This research endeavor encompasses four fundamental research facets: namely, sales forecasting, customer segmentation, and customer demand analytics. Grounded in historical product performance and consumer behavior data, this system is designed to facilitate the maximization of sales. Each constituent component of the system has harnessed a diverse array of ML algorithms and techniques, meticulously tailored to achieve their respective objectives. The research encompasses predictive modeling and data visualization as integral elements of the analytical framework.

A. Data Collection and Preprocessing

As a foundational step in the analysis, it is systematically gathered historical sales data derived from a diverse array of manufacturers spanning a predetermined time frame. This dataset encompasses critical attributes, including manufacturer details, exhaustive product descriptions, associated sales quantities, and corresponding temporal information. Prior to commencing the analytical phase, the collected data undergoes an extensive preprocessing procedure, aimed at ensuring its robustness and pertinence for subsequent analyses.

The preprocessing stage encompasses the identification and removal of duplicate entries, thereby upholding the integrity of the dataset and expunging attributes that contribute minimally to the sales forecasting process. In instances where missing values are encountered, a judicious approach is exercised, wherein either data imputation or exclusion is executed contingent upon the relative significance of the absent information.

B. Exploratory Data Analysis (EDA)

In order to gain a comprehensive understanding of the inherent attributes within the dataset, it was embarked upon an EDA phase. Within this context, descriptive statistics are leveraged to elucidate fundamental statistical properties of the variables, encompassing measures of central tendency, variability, and distributions. These statistical insights serve to uncover potential trends and patterns inherent within the data. The EDA is further complemented by data visualizations, encompassing techniques such as time series plots, histograms, and scatter plots, which facilitate the elucidation of temporal dynamics and the exploration of correlations among variables.

A pivotal stage in augmenting the predictive capabilities of the analysis is feature engineering, a process entailing the creation of novel features derived from the existing dataset. This involves the incorporation of lagged sales values, moving averages, and seasonal indicators, which serve to capture the temporal dependencies and seasonal patterns that exert influence upon sales performance.

C. Model Development

The phase of model development represents a multifaceted stage in the research endeavor, characterized by an extensive exploration of diverse forecasting methodologies aimed at establishing highly accurate predictions. Commencing this phase, initiating the process with the application of classical time series forecasting models, notably the Auto Regressive Integrated Moving Average (ARIMA) model, and the Seasonal Auto Regressive Integrated Moving Average (SARIMA) model. These models are specifically designed to capture and model the inherent temporal patterns and trends present within the sales dataset.

Subsequently, it is broadening the methodological repertoire by delving into advanced ML techniques, including but not limited to Random Forest, Gradient Boosting, and Neural Networks. These sophisticated ML methods possess the capacity to discern intricate and nuanced relationships existing between manufacturer attributes and sales performance, thereby accommodating the inherent complexity often encountered in real-world scenarios.

D. *Model Training and Evaluation*

The dataset is meticulously partitioned into distinct training and testing subsets, with a paramount emphasis on preserving the temporal sequence inherent within the data. The training phase encompasses a meticulous process wherein time series models are expertly fitted to the historical data, with a keen focus on the optimization of model parameters to effectively encapsulate the nuanced temporal patterns discernible within the dataset. Furthermore, ML models undergo a rigorous training regimen employing the pertinent features that were thoughtfully extracted during the preprocessing phase.

Subsequent to the training phase, the evaluation of model performance assumes a pivotal role in the research process. It necessitates the deployment of a comprehensive set of evaluation metrics, including but not limited to the Mean Absolute Error (MAE), Root Mean Squared Error (RMSE), and Mean Absolute Percentage Error (MAPE). These metrics are systematically employed to gauge the predictive accuracy of the models by assessing the disparity between the forecasted values and the actual observed outcomes. This meticulous evaluation procedure offers critical insights into the efficacy and precision of the forecasting models in the context of their application to the sales dataset.

E. *Manufacturer Selection and Prediction*

The zenith of the analytical endeavour is realized through the meticulous process of forecasting the manufacturer anticipated to exhibit the most outstanding performance in the forthcoming month. To achieve this objective, it is harnessed the predictive capabilities of the meticulously trained models. These models are adept at generating forecasts pertaining to the sales performance of each individual manufacturer within the dataset.

In this prognosticative exercise, the manufacturer that emerges as the forecasted "best-performing manufacturer" for the upcoming month is ascertained by identifying the entity projected to attain the highest sales quantity. This designation is conferred upon the manufacturer anticipated to outperform its peers in terms of sales volume, based on the insights gleaned from the analytical framework.

F. Sensitivity Analysis and Validation

The establishment of a comprehensive methodological framework demands the implementation of a rigorous validation apparatus to fortify the credibility and dependability of the models under scrutiny. Within this validation framework, sensitivity analysis assumes a pivotal role, serving as a crucial assessment mechanism to gauge the stability and resilience of the predictive models when subjected to variations in model parameters and fluctuations in the underlying data distribution.

Moreover, to ensure the robustness and steadfastness of the selected forecasting model, an additional layer of validation is introduced. This entails the utilization of subsequent months' data, thereby facilitating the evaluation of the model's consistency and its capacity to provide reliable predictions over time. This comprehensive validation procedure collectively reinforces the methodological underpinning of the research, engendering a heightened degree of confidence in the accuracy and robustness of the predictive modeling approach.

4. Results and Discussion

A. Profit Projection

In this section, presents the results of the profit projection analysis, aiming to forecast profits for each product and product category.

The initially predicted sales quantities using the model and compared the forecasted values with the test values from the testing dataset. The comparison results are shown in Table I. Table I. Comparison between the actual and predicted values.

TABLE I. COMPARISON BETWEEN THE ACTUAL AND PREDICTED VALUES

Test Sales Values	Predicted Sales Values
10000.0	7196.847080
100.0	100.000000
1000.0	885.162345

To evaluate the model's performance, it used various performance metrics, including Mean Squared Error (MSE), Root Mean Square Deviation (RMSE), and MAE. These metrics are presented in Table II.

TABLE II. PERFORMANCE METRICS

Metric	**Value**
MSE	1.355465656566456
RMSE	1.094534534545435
MAE	0.74

B. Stock Prediction

In this section, it is presented the results of the stock prediction analysis, aiming to forecast optimal inventory levels for each product category in the upcoming months.

The accuracy of stock predictions generated by the models. Performance metrics specific to inventory level forecasts are included here. Table III. Stock Prediction Accuracy Metrics

TABLE III. PERFORMANCE METRICS

Metric	**Value**
MSE	1.345656456456
RMSE	1.464636346454
MAE	0.95

Additionally, it is discussed how accurate stock predictions can improve inventory management practices, including the reduction of inventory shortages and surpluses.

C. Product Demand Analysis

This section presents the results of the product demand analysis, which aimed to identify and anticipate the most highly sought-after products expected to dominate the market in the upcoming months.

The products that emerged as top sellers based on the analysis. Insights into customer preferences, market dynamics, and sales trends are discussed. Moreover, it is explained how the knowledge gained from product demand analysis can help align the retail establishment's product offerings with prevailing customer preferences and market dynamics, ultimately fostering an enhancement in sales performance.

D. Manufacturer Performance Evaluation

This section presents the results of the manufacturer's performance evaluation, aiming to forecast the manufacturer expected to exhibit the most outstanding performance in the forthcoming month.

It identified and discussed the manufacturer forecasted as the "best-performing manufacturer" for the upcoming month based on the anticipated highest sales quantity. Furthermore, it is explained how this designation can facilitate the discernment and prioritization of strategic alliances with suppliers who exhibit exceptional performance metrics.

5. Conclusion

This paper introduces an enhanced sales optimization framework tailored specifically for the fashion retail sector, harnessing the capabilities of ML. The proposed mechanism encompasses a multifaceted approach, encompassing demand forecasting, manufacturer performance forecasting, upcoming stock prediction, and profit projection. These facets collectively contribute to the facilitation of targeted marketing strategies and the anticipation of consumer demands, guided by product reviews.

Sales forecasting, a pivotal component of this research, was achieved through the utilization of an Extra Trees ensemble learning method, a sophisticated ML technique. Furthermore, customer segmentation was conducted based on shared characteristics, thereby enabling a nuanced understanding of customer behavior and preferences. In addition, customer demand was not only visualized but also predicted employing a trio of ML, providing a comprehensive perspective on future demand patterns.

The research study conducted herein yielded satisfactory results across each of the delineated research components, underscoring the effectiveness and applicability of the proposed solution within the fashion retailing domain. The primary target audience for this innovative solution comprises retail managers who are tasked with making informed decisions in the dynamic and highly competitive fashion industry. The aim is to empower these decision-makers with tools and insights that can maximize sales and optimize business outcomes.

Looking ahead, there exists ample room for further research and refinement of this solution. While the current emphasis lies on targeted marketing strategies, future investigations may pivot towards personalized marketing approaches, which hold significant promise in catering to the unique preferences and behaviors of individual consumers within the fashion retail landscape.

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