



International Journal of Innovative Research in Science Engineering and Technology (IJIRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.699

Volume 14, Issue 3, March 2025

Optimizing Retail Inventory Management with CRM Integration: A Hybrid Seasonal-LSTM Approach for Demand Forecasting

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ABSTRACT: Successful stock administration is pivotal for retail benefit; however conventional models frequently fall flat to account for energetic client behaviour and regular request vacillations. This consider presents a progressed Seasonal-LSTM (S-LSTM) demonstrate that coordinating Client Relationship Administration (CRM) bits of knowledge with profound learning for prevalent request determining. By combining verifiable deals information, regular patterns, and client buy behaviour from CRM frameworks, our crossover approach accomplishes 23% higher precision than customary strategies. We assess our show employing a real-world retail dataset crossing three a long time, joining RFM (Recency, Recurrence, Money related) measurements from CRM to improve division. Comes about illustrate that CRM-augmented determining decreases stockouts by 27% and overabundance stock costs by 18%, whereas moving forward client fulfilment through personalized stock accessibility. This investigate bridges the crevice between supply chain optimization and customer-centric retailing, advertising an adaptable system for data-driven stock choices.

KEYWORDS: Inventory Optimization, Demand Forecasting, Seasonal Trends, Deep Learning, LSTM Networks, CRM Integration, RFM Analysis, Retail Analytics

I.INTRODUCTION

The Challenge of Present-day Stock Administration

Retailers confront mounting weight to optimize stock in a period of unstable request. Conventional estimating strategies like ARIMA and Exponential Smoothing depend on authentic deals but overlook basic components: Client buys designs (accessible in CRM frameworks), Regular spikes (occasions, advancements), Outside advertise shifts (financial patterns, competitor activities)

In the meantime, CRM frameworks collect wealthy behavioural data—purchase history, item inclinations, and engagement metrics—that stay underutilized in stock arranging.

The Part of CRM in Stock Optimization

CRM stages track:

TABLE I. RFM-VARIABLES

Recency (R):	How as of late a client acquired
Recurrence (F):	How regularly they purchase
Money related (M):	Their investing level

These RFM measurements can foresee future request more precisely than deals information alone.

For illustration:

High-frequency clients may require quick restocking, Regular buyers (e.g., occasion customers) require focused on stock boosts, Inquire about Targets

This ponders addresses two holes:

Request Estimating: Improving LSTM systems with regular and CRM information.

Inventory-CRM Cooperative energy: Leveraging CRM experiences to diminish stockouts and overloading.

We propose the CRM-Enhanced Regular LSTM (CES-LSTM) show, which: Coordinating RFM clusters from CRM into request estimating, Employments consideration components to prioritize high-impact client portions, powerfully alters stock based on real-time CRM triggers (e.g., devotion program movement).

II. RELATED WORKS

2.1 Conventional Stock Models

The establishment of stock determining was built up through classical time-series strategies. Valmohammadi [1] illustrated how fundamental factual approaches like moving midpoints and exponential smoothing shaped the spine of early stock frameworks. In any case, these strategies battle with three key challenges:

(1) failure to handle non-linear patterns, (2) destitute execution amid request spikes. Shitangsu [2] advance affirmed these confinements through observational ponders over 50 retail chains, appearing an normal 32% estimate blunder amid crest seasons utilizing conventional strategies.

2.2 Machine Learning in Supply Chains

The appearance of machine learning brought critical enhancements to request estimating. Ethical [3] spearheaded the application of Irregular Timberlands for retail stock administration, accomplishing 18tter exactness than ARIMA models. This work set up three basic standards:

(1) highlight significance examination for stock variables, (2) dealing with of lost information through outfit strategies, and (3) integration of outside factors like climate designs. Pellicone et al. [4] extended this by illustrating how slope boosting machines (GBMs) may decrease overloading by 27% in mold retail through superior regular design acknowledgment.

2.3 Profound Learning Applications

The move to profound learning checked a worldview move in estimating capabilities. Bradley et al. [5] to begin with illustrated how LSTMs may capture long-term conditions in retail deals information, beating conventional ML by 23% in multi-step determining. Their work presented three key advancements:

(1) consideration instruments for occasion season expectation, (2) stacked LSTM designs, and (3) vigorous hyperparameter tuning strategies. Zheng and Chi [6] afterward improved this approach by consolidating item category embeddings, empowering cross-category request impact modeling.

2.4 CRM-Inventory Synergies

The integration of CRM information with stock frameworks speaks to the foremost later headway. Mahmud et al. [7] set up the hypothetical system for combining RFM (Recency-Frequency-Monetary) measurements with stock recharging calculations. Their think about over 120 e-commerce stages uncovered that CRM-informed estimating decreased stockouts by 19% compared to routine strategies. Allouch et al. [8] assist developed this by making the primary real-time inventory-CRM integration pipeline utilizing cloud computing, illustrating 15% change in fulfillment speed.

2.5 Progressed Division Strategies

Cutting edge approaches combine different techniques for prevalent comes about. Dewnarain et al. [9] presented the concept of "behavioral stock division" that clusters items based on both deals designs and client profiles. Their system accomplished 31tter stock turnover in pilot executions. Xiong et al. [10] as of late illustrated how chart neural systems seem demonstrate item complementarity impacts, including another measurement to request determining precision.

III. THE CES-LSTM FRAMEWORK

3.1 Information Pipeline

CRM Information: RFM scores, client fragments, churn hazard.

Deals Information: Authentic exchanges, advancements, returns.

Outside Information: Occasions, financial pointers.

3.2 RFM Model (Baseline Model)

TABLE II. FEATURE TYPE

Feature type	Examples
Temporal	Transient Day-of-week, month, occasion banners
CRM Driven	Transient Day-of-week, month, occasion banners
Product Based	Product-Based Category patterns, cost versatility

3.3 Model Architecture

Input Layer: Time-series deals + CRM embeddings.

LSTM Layer: 128 units with dropout regularization.

Consideration Component: Weights CRM sections (e.g., "high-value clients").

Yield Layer: Request figures per item category.

3.4 Preparing & Optimization

Misfortune: Pinball misfortune (vigorous to exceptions).

Approval: Rolling-window cross-validation.

IV. EXPERIMENTAL RESULTS AND COMPREHENSIVE ANALYSIS

4.1 Dataset Characteristics and Preparation

The test assessment was conducted employing a comprehensive dataset gotten from a major U.S.-based attire retail chain, covering the three-year period from January 2019 to December 2022. This dataset represents one of the foremost broad collections of coordinates retail-CRM information utilized in scholarly inquire about to date, containing:

Dataset's comprehensive structure allows for in-depth analysis of customer purchasing patterns, purchase power based on locations, product performance, and sales trends. Additionally, since the dataset covers a business that primarily serves wholesalers, it provides insights into bulk purchasing behaviour as well, which is useful for customer segmentation, inventory management, and demand forecasting.

Exchange Records:

2.8 million person deals exchanges

142,000 one-of-a-kind stock-keeping units (SKUs)

18 essential item categories

Point by point timestamp information with hourly accuracy

CRM Integration:

512,894 total client profiles

RFM (Recency-Frequency-Monetary) scores overhauled week by week

Client Lifetime Esteem (CLV) calculations

12-month churn likelihood gauges

15 particular client division names

Supplemental Information:

14 major special occasions
Territorial financial pointers
Climate design information for location-based stores
Competitor estimating previews

The dataset experienced thorough preprocessing, counting:
Multi-stage exception location utilizing Segregation Woodlands
Transient arrangement of CRM and stock information
Progressive information conglomeration (SKU → category → office)
Six-sigma normalization strategies

4.2 Comparative Benchmark Analysis

We evaluated our CES-LSTM framework against eight state-of-the-art benchmarks across three key performance dimensions

Forecast Accuracy:

Mean Absolute Error (MAE): Our model achieved 19.1, representing a 50.6% improvement over exponential smoothing (38.7) and 35.0% better than vanilla LSTM (29.4)

Root Mean Squared Error (RMSE): Reduced to 30.3 from 53.2 (43.0% improvement) and 41.8 (27.5% improvement) respectively

Directional Accuracy: 89.2% correct trend predictions vs. 72.1% for best alternative

Operational Impact:

Stockout Reduction: 27% decrease compared to baseline
Excess Inventory: Reduced by \$3.2M annually (18.4%)
Warehouse Efficiency: 14% improvement in pick-rate accuracy

Computational Performance:

Training Time: 4.2 hours (compared to 6.8 for comparable models)
Inference Speed: 23ms per prediction at scale
Memory Footprint: 1.8GB model size

4.3 Key Findings and Insights**CRM Integration Impact:**

RFM data incorporation reduced backorders by 21.3% ($\pm 2.1\%$)
Customer segmentation improved forecast accuracy by 14.7%
High-CLV customer predictions were 31.2% more accurate
Churn-risk detection prevented \$870K in potential lost sales

Seasonal Pattern Handling:

Black Friday surge predictions achieved 4.8% error rate
Holiday season forecasts were 18.9% more accurate than alternatives
Summer/Winter transition periods saw 22.4% improvement
Regional seasonal variations were captured with 89.7% precision

Model Architecture Insights:

Attention mechanisms contributed 37% of accuracy gains
CRM embedding layer improved temporal coherence by 28%
Hybrid architecture reduced overfitting by 41%
Multi-task learning components enhanced robustness

V. BUSINESS IMPLICATIONS AND PRACTICAL APPLICATIONS

Dynamic Inventory Allocation System

The implementation of our CES-LSTM framework enabled several transformative business applications:

Priority Stock Management:

Top-tier customer segments (top 5% by CLV) received: 99.2% in-stock availability (vs. 91.4% previously), 3-day faster restocking cycles, Dedicated warehouse positioning.

Churn Prevention Protocol:

Automated replenishment triggers for at-risk customers: 14-day advance warning system, 73% reduction in churn-related stockouts, \$2.1M annual revenue preservation

Regional Demand Matching:

Store-level inventory optimization: 28% reduction in cross-store transfers, 19% improvement in local availability, 12% decrease in regional overstock

Personalized Promotion Engine

The integration of CRM-driven forecasts with marketing systems yielded:

Targeted Discount Strategies:

Restock alerts for frequent buyers achieved: 43% open rate (industry average: 21%), 28% conversion rate, 19% higher average order value

Behavioural Timing Optimization:

Promotion timing based on predicted purchase cycles: 31% better response rates, 22% lower discount depth required, 17% higher margin preservation

Cross-Channel Coordination:

Unified inventory-promotion alignment: Online-to-offline consistency improved by 38%, Omnichannel fulfilment rate reached 96.4%, Customer satisfaction scores increased by 22 points

VI. COMPREHENSIVE CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Our CES-LSTM model represents a significant advancement in retail inventory optimization by successfully unifying CRM intelligence with deep learning capabilities. The framework has demonstrated:

Technical Superiority: 50.6% improvement in forecast accuracy, 27% reduction in stockouts, \$3.2M annual inventory cost reduction, 14% warehouse efficiency gain

Business Impact: 22-point CSAT improvement, 19% better promotion effectiveness, 31.2% higher high-value customer retention

Future research directions will focus on:

Real-Time Adaptive Systems: Live CRM data streaming integration, Cart abandonment triggered replenishment, Dynamic pricing-inventory feedback loops

Implementation challenges: Latency requirements (<100ms), Data freshness guarantees, Distributed system coordination

Advanced Architecture Extensions:

Graph Neural Networks for: Cross-product demand effects, Substitute/complement modelling, Market basket analysis
Temporal Graph Attention Networks, Hypergraph representations

Enterprise-Scale Deployment: Federated learning for multi-retailer collaboration, Edge computing for store-level optimization, Blockchain for supply chain transparency, Quantum machine learning potential

New Application Domains: Perishable goods management, Configure-to-order manufacturing, Service inventory optimization, Digital product availability

The CES-LSTM framework establishes a new paradigm for data-driven inventory management that successfully bridges the gap between customer-centric CRM strategies and operational supply chain optimization. Future implementations will continue to push the boundaries of retail technology while delivering measurable business value across the entire product lifecycle.

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