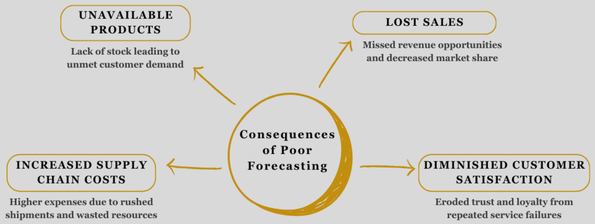
TRANSFORMING DEMAND FORECASTING: LEVERAGING TRANSFORMER MODELS AND DEMAND-SENSING IN THE FMCG INDUSTRY

BUSINESS PROBLEM

The fast-moving consumer goods (FMCG) industry is a competitive market where best in class demand forecasting drives product availability leading to superior financial performance. Companies in this space are looking for new and innovative demand forecasting methods to improve forecasting accuracy to enhance their competitive position.



BUSINESS BENEFITS

INCREASED BRAND REPUTATION
Enhanced product availability boosting brand image

COST OPTIMIZATION
Efficient production planning reducing costs

INCREASED REVENUE
Preventing stock-outs to maximize sales

RESEARCH OBJECTIVES

- Can transformer models effectively improve demand forecasting accuracy?
- What are the benefits of integrating external factors with current demand forecasting methods?
- How does the combination of transformer models and demand-sensing techniques compare to traditional forecasting methods?

RESEARCH TOOL-KIT

python · amazon web services · PyTorch · Amazon SageMaker · S3 · Hugging Face

ANALYTICS PROBLEM

Encode data into tokens, applying Transformer-based techniques for temporal and variate correlation

Combine short-term sensing with long-term trends to enhance forecasting accuracy

01. Data Integration & Preprocessing
Gather and process consumption, sentiment, product & competitor interest, and shipment data for analysis

02. iTransformer Embedding

03. Attention & Nonlinear Learning
Utilize self-attention and Feed-Forward Networks to learn from large lookback windows and diverse variates

04. Demand Sensing

05. Comprehensive Forecast
Output a nuanced demand forecast, integrating diverse datasets for operational and strategic planning.

METHODOLOGY

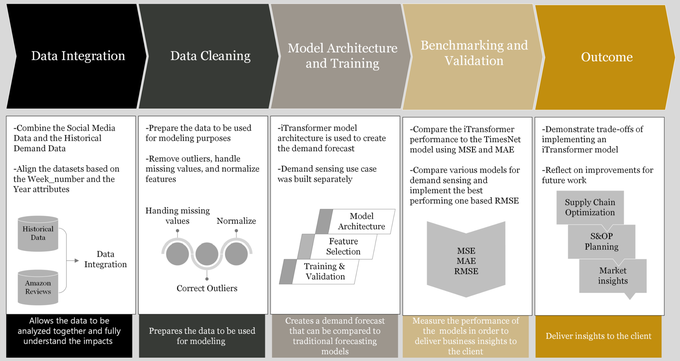


Figure 1: Methodology explaining the research process and the steps that were taken to create, train, and validate the transformer model

DATA

Product level shipment and consumption data for ~3 years. Includes information at the product level including product names and weekly demand levels.

External data was extracted from Amazon and Google Trends at a brand level to measure customer sentiments and gain an understanding of brand and competitor interest.

Data is then integrated and cleaned to allow visualizations to be made and a holistic model to be created.

MODEL BUILDING

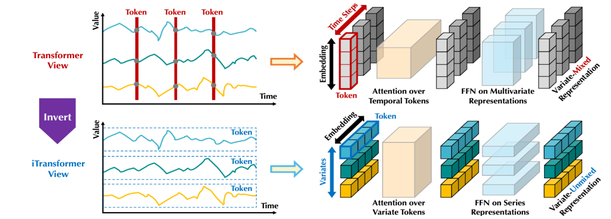
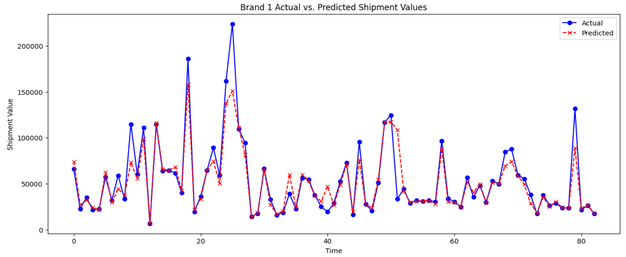
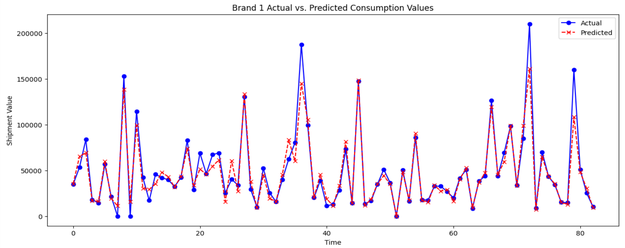


Figure 2: iTransformer architecture

DEMAND SENSING RESULTS

Model	Shipment			Consumption		
	Ensemble	Gradient Boosting	XGBoost	Ensemble	Gradient Boosting	XGBoost
MSE	**15,834.61**	15,322.67	16,890.92	**11,768.22**	12,841.09	15,788.81





TRANSFORMER RESULTS

Dataset	Prediction Length	iTransformer		TimesNet	
		MSE	MAE	MSE	MAE
ETTm1	48	**0.313**	**0.356**	0.470	0.493
	96	**0.342**	**0.376**	0.546	0.532
	192	**0.382**	**0.396**	0.636	0.570

iTRANSFORMER FORECAST

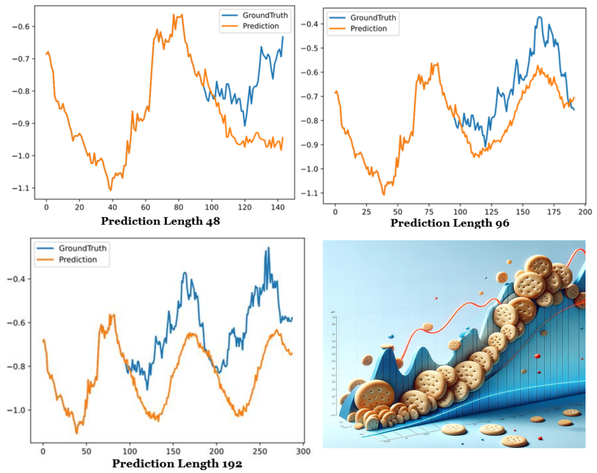


Figure 3: iTransformer forecast with Sequence Length of 96 Timepoints

CONCLUSION & INSIGHTS

Transformer Insights

DATA INTENSIVE
- Requires thousands of datapoints
- Data duplication improved results
- Suitable for legacy products

COSTLY
- More costly than traditional approaches
- Costs must be weighed against benefits with competetive context in mind

Demand Sensing Insights

DATA BREADTH
- Google trends competitor data was significant
- Cross channel sentiment from social media data

PRODUCT TYPE
- Performance driven by tendency to review a product
- Effective for high value products
- Effective for products that are highly susceptive to the economy

PRODUCT LIFE CYCLE DEVELOPMENT

Dataset Size & Granularity
10+ years of historical data
Regional demand data

External Data Sources
Social media data
Regional weather data

Cost Benefit Analysis
Performance versus costs
Competitive landscape

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Pratiksha Gupta · Vineeth Pydi · Nikolai Saporoschetz · Liana Simopoulos · Nicholas Zimmerman

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