

INVENTORY MANAGEMNET OPTIMIZATION APP

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19/02/2024

1. Problem Statement

Enterprises constantly grapple with the ongoing task of efficiently overseeing inventory to fulfill demand without encountering shortages or surpluses. I propose a solution that employs sophisticated machine learning algorithms to precisely forecast demand patterns and adapt stock levels instantaneously. By utilizing past data and market intelligence, the platform fine-tunes inventory quantities, reducing instances of stockouts and prevent the buildup of surplus inventory. Through proactive strategies like maintaining safety stock and identifying sluggish-moving items, companies can elevate customer satisfaction, streamline processes, and optimize profits in the dynamic contemporary market environment.

2. Market/Customer/Business Need Assessment

2.1 Market assessment:

We understand that the market environment for small and medium-sized businesses (SMBs) is defined by constrained resources, tight budgets, and an urgent need for affordable solutions. Thus, the main goal of our market evaluation is to comprehend the unique inventory management issues that small and medium-sized businesses confront. We pinpoint frequent problems include the lack of advanced inventory optimization technologies, the difficulties of demand forecasting due to insufficient historical data, and manual inventory tracking procedures. SMBs are looking for more and more powerful, yet reasonably priced solutions that help automate inventory management procedures, increase demand forecasting accuracy, and offer useful information for optimizing stock levels.

2.2 Customer assessment:

The customers essentially the small and medium businesses (SMBs) are the backbone of India's economy, contributing 30% to the country's GDP and employing over 114 million people in our country. They are looking for a tool that helps them optimise their inventory and help their businesses which indirectly improves country's GDP.

2.3 Business assessment:

My analysis indicates that SMBs are primarily motivated by the business objectives of increasing competitiveness in their markets, cutting expenses, and optimizing efficiency. Their goal is to maximize sales possibilities, prevent stockouts, and lower carrying costs by maintaining optimal

inventory levels. Additionally, SMBs understand the strategic significance of making investments in digital solutions that support their growth goals and provide long-term value. Therefore, by offering observable advantages like cost savings, increased operational efficiency, and higher customer happiness, my inventory optimization program must precisely align with these business imperatives.

3. Target Specification and Characterisation

- Our objective is to provide the SMB businesses with an app that looks out for stockout and overstock scenarios.
- Provide weekly sales report.

We can achieve this objective by analysing:

- Will the customer be able to afford the app?
- Will the customer be able to use?
- Will the customer be able to adapt and customise the app?
- The common problems faced by customers.

4. External search

I have made research about how my customers would consider using my app due to the following reasons:

- [Inventory optimisation market analysis](#)
- [India is investing in AI](#)
- [Why is inventory management required](#)
- [SMBs using AI to automate the tasks](#)

5. Bench marking alternate products

Currently there are a lot of services which provide inventory management services like Zoho Inventory, Fishbowl inventory, Odoo and many more but only 18% of small businesses use inventory management software. Small businesses have limited resources and limited software budgets. The same report found that 43% of small businesses do not track their inventory, or use a manual process to track it instead. So there is a huge gap for an efficient software at optimal cost that could capture the market and help the businesses. Zoho inventory is not a complete thing for businesses and some businesses use it with the combination of Zoho Books for the complete checking of their inventory and transactions.

6. Applicable Patents

To develop my idea, we need inspiration from the following patents:

- [Inventory management through mobile devices](#)
- [Sales trend analysis](#)

7. Applicable Regulations (Government and environmental)

- a. Patent on ML algorithms developed.
- b. Regulation of Occupational Safety and Health Administration (OSHA).
- c. Laws related to Environmental Protection Agency (EPA).
- d. Regulations set by Food and Drug Administration (FDA).
- e. Regulations by Waste Electrical and Electronic Equipment (WEEE).
- f. Standards set by International Standards Organization (ISO).

8. Applicable Constraints

- a. Budget constraints of the customer.
- b. Storage Capacity of the inventory.
- c. Quality and Shelf-Life Constraints of the products stored.
- d. Data Collection from shopkeepers and vendors.
- e. Continuous data collection from vendors.

9. Business Model

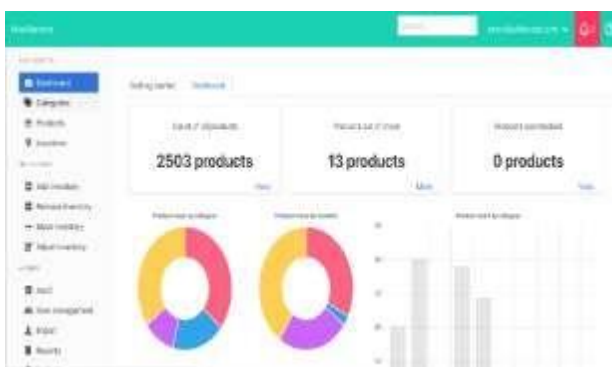
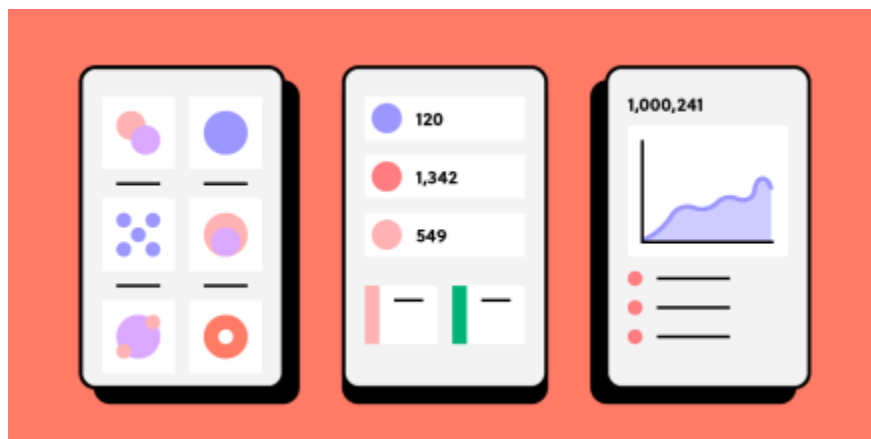
In the start-up revolution running currently alongside the rise of AI, the businesses will rise to power and popularity and the products need to be tracked and maintained optimally for better results.



The above statistics shows the inventory management software market to only grow in the future in all parts of the world. This is the result of many businesses adopting the software and the positive results achieved from it. We monetize the inventory management app by providing ongoing access to features, upgrades, and support services by implementing a subscription model. Businesses are guaranteed flexibility when tier-based subscription options customized to meet varying needs are offered. Higher subscription tiers can be justified by value-added services and customized offerings, which will increase client retention and satisfaction. This strategy gives users continuous value while creating a stable revenue stream.

10. Concept Generation

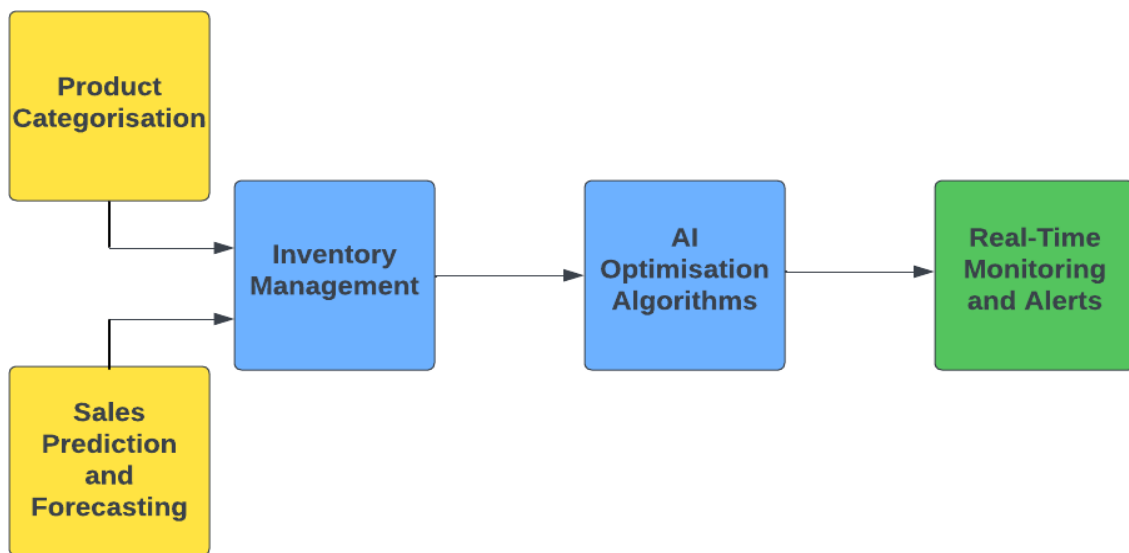
The inventory of a businesses can get messy if not arranged in properly and can cause problems such as overstock or understock. The solution for this to generate an application that maintains the product stocks, track the products, locating a product in a ware house becomes easy. On top of that it predicts the sales of all the product, gives weekly sales report which helps in estimating the sales. This solves optimized supply chain management, accurate demand forecasting, reduced holding costs and working capital optimization.



11. Concept Development

The initial phase involves conducting a thorough analysis of the product portfolio's diversity within the business, coupled with the collection of historical sales and pricing data essential for training the models. Subsequently, the focus shifts to categorizing the products meticulously and arranging them according to their respective quantities. This categorization facilitates precise tracking of inventory, ensuring efficient management and optimization of resources. The sales prediction and other services will help the business to make better choices about the stock they have to maintain and deliver it to their customers.

12. Final Product Prototype



- **Product Categorization:** Groups products according to attributes such as kind, demand trends, or seasonality.
- **Inventory Management:** Maintains product availability, regulates inventory levels, and effectively handles distribution and storage.
- **AI-Driven Optimization Algorithms:** Reduces stockouts and surplus inventory by using AI to dynamically modify inventory levels.
- **Real-Time Monitoring and Alerts:** Sends out alerts for possible problems like low or overstock situations and gives live information on inventory status.

13. Product Details

13.1 How does it work?

The way an inventory optimization tool works is by gathering information from multiple sources, like demand projections, sales records, and existing inventory levels. After that, it examines the data to find patterns and trends that may aid firms in comprehending aspects such as demand unpredictability. The app uses this data to estimate demand and determine the ideal inventory levels depending on variables like client demand and related expenses.

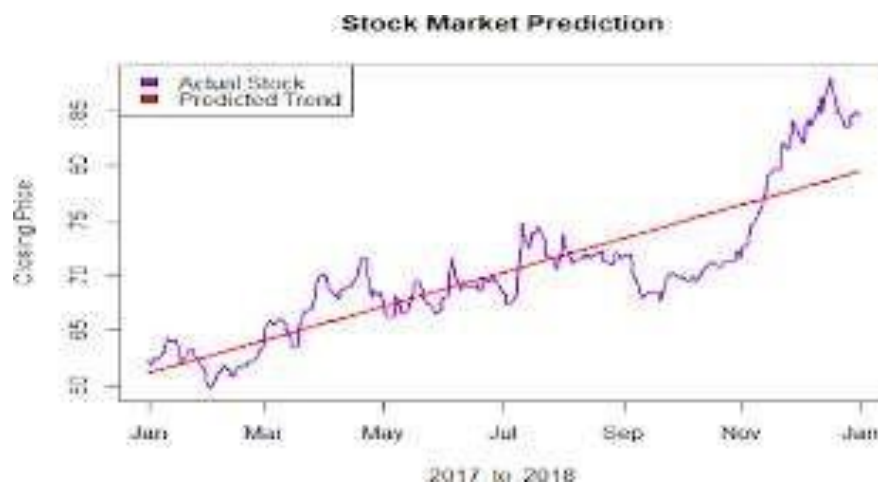
In order to balance meeting demand with decreasing excess stock, the app offers recommendations for inventory replenishment strategies, including reorder points and order quantities. It keeps a close eye on stock levels and dynamically modifies recommendations in response to shifting demand trends and market conditions. In general, the objectives are to raise customer happiness, cut expenses, decrease stockouts, and improve inventory management procedures.

13.2 Data Sources

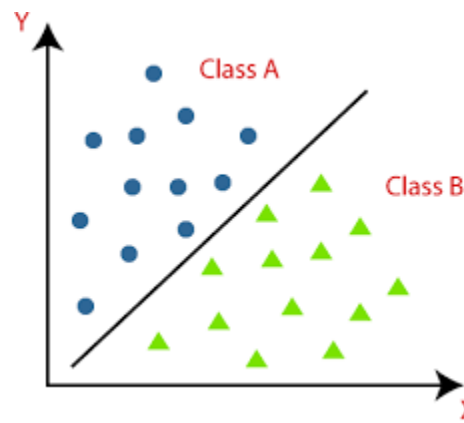
- **Sales History:** Information about past sales transactions provides insights into product demand patterns, seasonality, and trends, serving as a basis for forecasting future demand.
- **Point of Sale (POS) Systems:** Real-time data from POS systems helps track sales as they occur, providing up-to-date information on inventory levels and sales trends.
- **Supplier Data:** Data from suppliers includes lead times, pricing, and availability of goods, enabling businesses to plan replenishment orders effectively.
- **Inventory Levels:** Current inventory levels across warehouses, stores, or distribution centers are crucial for determining when to reorder products and how much to order.
- **Demand Forecasts:** Forecasts generated from historical sales data, market trends, and other factors help predict future demand for products.
- **Customer Data:** Understanding customer preferences, buying behaviour, and feedback can inform inventory stocking decisions and marketing strategies.
- **Returns and Exchanges:** Tracking data related to product returns and exchanges provides insights into product quality, customer satisfaction, and potential inventory adjustments.

13.3 Algorithms

- **Regression Analysis:** Regression analysis in inventory optimization is the process of forecasting demand based on characteristics like pricing, promotions, seasonality, and external variables. Regression models such as polynomial or linear regression are used in this process. Businesses are able to estimate how changes in these parameters affect demand levels because these models reflect the relationship between the target variable (demand) and the predictor variables (price, promotions, etc.). Apps for inventory optimization can help with decision-making about inventory stocking and management techniques by fitting regression models and evaluating historical data to reveal demand drivers.

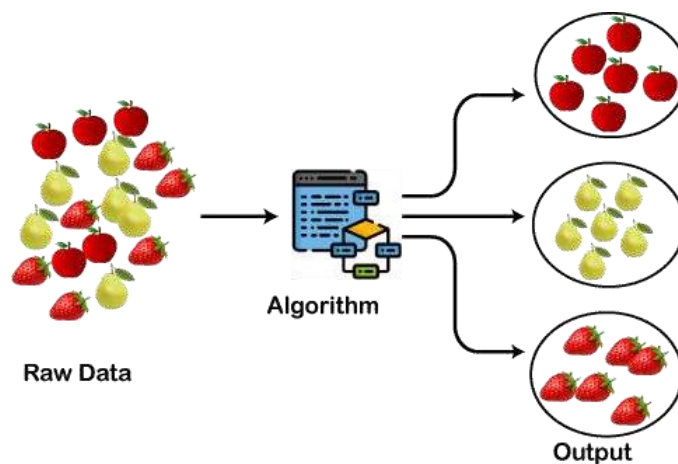


- **Classification algorithms:** These classification algorithms provide firms with the capacity to efficiently classify inventory goods according to a range of criteria, including value, lead time, and variations in demand. Apps for inventory optimization can prioritize inventory management methods by classifying products appropriately. This helps firms allocate resources more effectively, reduce stockouts, and improve overall operational effectiveness. Using these algorithms improves decision-making, guaranteeing that inventory management closely complies with business goals and consumer expectations.
Examples: Decision Tree, Random Forest , etc



- **Clustering Algorithms:** Businesses can create customized inventory management strategies for each cluster by using clustering algorithms to put comparable inventory products together based on different factors, like demand patterns. Through the use of these algorithms, inventory optimization software can assist companies in locating discrete inventory segments, enabling focused inventory control strategies that cater to the particular needs and traits of each cluster. This fine-grained method boosts productivity, lowers expenses, and promotes overall inventory management effectiveness.

Examples are KNN, DBSCAN, etc.



13.4 Team Required To Develop

- **Project Manager:** Oversees the entire development process, manages timelines, resources, and ensures that the project stays on track to meet objectives.
- **Software Developers:** Front-end developers for creating the user interface (UI) and user experience (UX), back-end developers for implementing business logic, and full-stack developers who can work on both aspects.
- **Database Administrator:** Responsible for designing, implementing, and maintaining the database system that stores inventory data securely and efficiently.
- **Quality Assurance (QA) Engineers:** Test the application thoroughly to identify bugs, ensure it meets requirements, and maintain quality standards.

- **UX/UI Designer:** Designs the visual elements, layout, and user flow of the application to ensure an intuitive and pleasant user experience.
- **Business Analyst:** Gathers and analyses requirements from stakeholders, translates them into functional specifications, and ensures that the app meets business needs.
- **Data Analyst/Scientist:** Analyses inventory data to derive insights, develop forecasting models, and optimize inventory management strategies using data-driven approaches.
- **Security Specialist:** Implements security measures to protect sensitive inventory data from unauthorized access, breaches, or cyber threats.
- **Technical Support:** Provides ongoing support to users, troubleshoots issues, and addresses technical inquiries or problems that arise post-deployment.

14. Conclusion

To sum up, the choice to monetize the inventory management app through a subscription-based model offers organizations a predictable cost structure and an organized approach to income generation. Under this approach, companies pay a subscription fee to access the app's features, updates, and support services, guaranteeing that they always have the newest resources and tools available for efficient inventory management.

Furthermore, the app's capabilities and value proposition are greatly improved by the incorporation of AI (Artificial Intelligence) technologies. The app's AI algorithms enable it to evaluate a tonne of data, including market trends, past sales data, and outside variables, in order to produce precise demand estimates. The basis for effective inventory management techniques, such as figuring out the best reorder points, order quantities, and safety measures, is these projections.

Additionally, the app's AI-driven predictive analytics help businesses foresee future trends and inventory demands, keeping them ahead of demand swings and enabling them to take proactive decisions to improve their supply chain. Through the use of machine learning algorithms, the app is able to learn from new data inputs on a continuous basis, increasing the accuracy of its forecasts and optimization recommendations over time.

In summary, the amalgamation of a subscription-based model and AI-driven functionalities furnishes enterprises not only with a dependable and expandable inventory management solution, but also endows them with the ability to make knowledgeable decisions that propel efficacy, curtail expenses, and augment overall operational performance within the ever-changing inventory management domain.

BUSINESS MODEL



We will examine the proposed business plan for the previously proposed proposal in this section of the report. Although there are other business models available, we have decided that the "Subscription Business Model" is the best fit for our concept.

Subscription Business Model:

A subscription business model is a revenue model where customers pay a fee for access to products or services on a regular basis, such as weekly, monthly, or yearly. Unlike traditional one-time transactions, subscription models establish an ongoing relationship between the provider and the customer, fostering loyalty and generating predictable revenue streams over time.

Steps:

- You can learn a lot about the needs, preferences, and expectations of the client for the inventory management product by answering these questions and paying attention to their answers. You can use this information to effectively customize the product and service offerings to the unique needs of the client. A fruitful and cooperative partnership also depends on continuing to communicate openly and developing trust with the client throughout the engagement period.
- Facilitating the onboarding process onto our inventory management platform is the next step after determining the client's inventory management needs and preferences. This entails setting up a client-specific account on our platform so they can safely submit inventory data and indicate what they need. To ensure a seamless transition, a dedicated staff member is allocated to help clients who

need assistance or are uneasy with technology during the account setup process. Our aim is to streamline the onboarding process so that the client can access and use our inventory management application's features fast, optimizing their inventory procedures and helping them to meet their business objectives.

- We start building a customized machine learning model for the client's inventory management requirements as soon as we have the information and insights we need from them. The data collected in the first stage forms the basis of our model and directs our work toward accomplishing the goals set forth by the customer. Our group uses cutting-edge machine learning techniques to develop a predictive model that meets predetermined objectives by providing accurate sales projections and optimizing inventory levels. Maintaining constant contact with the client guarantees that the model is aligned and improved to best meet their needs.
- After we finish developing and testing our model, we upload the results to the client's individual account. In order to communicate the study, facilitate understanding, and get client feedback, visualizations are essential. Through open communication and teamwork, this interactive process guarantees transparency and helps us to improve our analysis in response to client feedback, ultimately giving them the power to make well-informed decisions on inventory management.

Market Analysis:

The market for inventory management software in India is growing rapidly, driven by factors such as increasing demand for real-time inventory data, government regulations, and the shift towards digitalization in supply chains. According to Report Ocean Research, the market is expected to grow at a CAGR of 14.5% during the forecast period 2017-2023. Industries such as retail, e-commerce, manufacturing, healthcare, and logistics are driving this growth, with cloud deployment being the leading mode due to its real-time data access and analytics capabilities. Hybrid deployment is also gaining popularity, especially with the rise of omni-channel business models. In the near future, inventory management platforms are expected to offer predictive space management capabilities using technologies like blockchain and AI.

Operating Plan:

The AI-integrated inventory optimization software will be released after development and testing, with a focus on client acquisition and partnership cultivation. Our objective is to draw in a varied clientele by means of focused digital advertising, content marketing, and interaction with relevant industry players. In parallel, we'll provide free trials and demos so that prospective customers may experience the AI-powered features of the app directly. Additionally, the app's functionality and market reach will be expanded through strategic collaborations with other software suppliers, establishing it as a holistic solution for companies looking for advanced inventory management capabilities.

After being onboarded, users will receive individualized support and a wealth of training materials to

optimize the usage of AI capabilities. We will be happy to answer any questions or issues via phone, chat, or email through our customer service channels. Our operations will prioritize continuous improvement, with frequent updates fueled by user input and AI technological breakthroughs. Strict data security protocols will be implemented, promoting confidence and adhering to legal mandates. Sustainable profitability will be fueled by strategic revenue growth tactics like tiered subscriptions and consulting services that make use of AI findings. Targeted marketing campaigns and thought leadership campaigns will also be used to further market growth efforts in order to maintain the app's relevance and competitiveness in the rapidly changing inventory management solution industry.

Marketing Plan:

Our first step in efficiently marketing our inventory optimization program will be to create an extensive list of companies, from well-established to up-and-coming, across a range of industries. We will evaluate each company's propensity to be interested in using technology into their inventory control procedures. This evaluation will take into account variables like the company's size, market trends, and previous technological adoption.

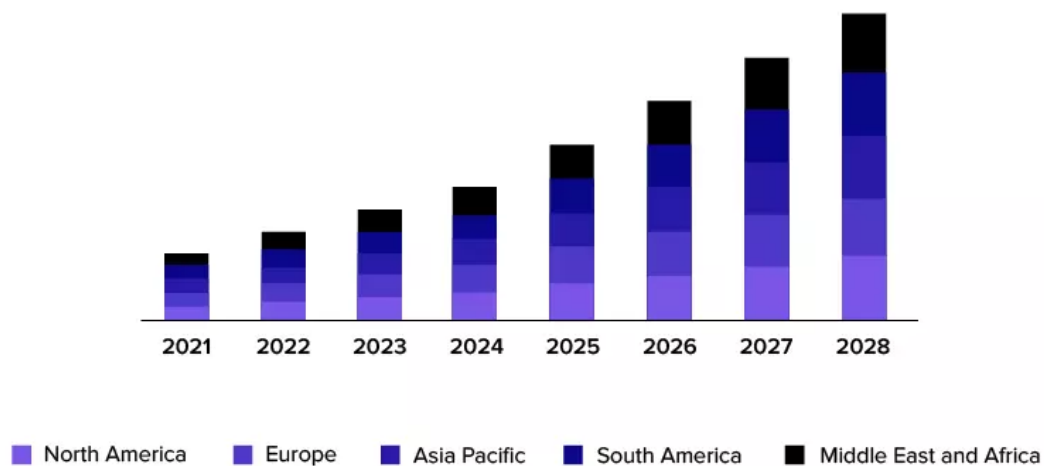
After identifying potential clients, we will modify our strategy in accordance with their likelihood of adopting technology and their particular business requirements. We will communicate the advantages of our inventory optimization tool to hotel owners and representatives, emphasizing how it may improve operations and increase profitability. We will describe how our app makes effective inventory management possible, which boosts sales by improving stock control and facilitating on-time grocery buying.

Through showcasing the concrete advantages of our inventory optimization application, we hope to attract attention and establish collaborations with a variety of companies. We believe that good word-of-mouth recommendations and consumer confidence in our product will continue to fuel demand as our client base expands. Our ultimate objective is to become recognized as a reliable partner in the inventory management industry, enabling companies to optimize their processes and increase productivity and profitability.

Financial Equation:

A financial equation represents a mathematical relationship in finance, used to model various financial concepts and calculations. These equations range from simple arithmetic operations to complex formulas involving variables and functions. They are essential for analyzing financial transactions, investments, and decision-making processes. Examples include equations for calculating net present value, compound interest, and return on investment. Financial equations play a vital role in financial analysis, planning, and decision-making across various sectors and industries.

**Global Inventory Management Software Market is Expected
to account for USD 3.82 Billion by 2028**



The growth trend observed in recent years is poised to continue its upward trajectory, with projections indicating even greater expansion in the years ahead.

The inventory turnover ratio is a crucial financial metric used by businesses to assess their inventory management efficiency. It is calculated using the following equation:

$$\text{Inventory Turnover Ratio} = \text{Cost of Goods Sold (COGS)} / \text{Average Inventory}$$

Where:

- COGS represents the total cost of goods sold during a specific period.
- Average Inventory is calculated by adding the beginning inventory to the ending inventory and dividing by two.

For example, if a company has a COGS of \$500,000 and an average inventory of \$100,000, the inventory turnover ratio would be:

$$\text{Inventory Turnover Ratio} = 500,000 / 100,000 = 5$$

This indicates that, on average, the company sells and replaces its inventory five times during the specified period.

A higher inventory turnover ratio generally indicates more efficient inventory management, as it suggests that inventory is selling quickly relative to the amount held. However, the optimal ratio can vary depending on factors such as industry norms and business strategies.

By analyzing the inventory turnover ratio alongside other financial metrics, businesses can gain valuable insights into their inventory management practices. For instance, a declining ratio over time may signal issues such as overstocking, slow sales, or inefficient purchasing processes. Conversely, a rising ratio may indicate improved efficiency and better inventory turnover.

According to industry data, the average inventory turnover ratio varies across sectors. For instance, retail businesses typically have higher turnover ratios due to their fast-moving consumer goods, while manufacturing companies may have lower turnover ratios due to longer production cycles and higher inventory holding costs.

Amidst the ongoing economic revolution, businesses across various sectors, particularly in our country, are experiencing consistent growth. As a result, the significance of efficient inventory management is on the rise, driven by the convenience and digitalization benefits it offers. In response to this trend, our inventory management solution caters to small businesses like kirana stores and other enterprises by offering a monthly subscription plan priced at Rs.1199 and Rs.1799 respectively for small and medium businesses. Moreover, to provide greater value and flexibility, we offer yearly subscription plans priced at Rs.11,999 and Rs.18,999 for small and medium businesses respectively. These yearly plans not only offer cost savings but also ensure uninterrupted access to our comprehensive inventory management features throughout the year, aligning perfectly with the evolving needs of businesses in today's dynamic market landscape.

Let's take six to eight weeks to create our business plan, accounting for the wages, upkeep, and costs of a three-person machine learning engineering team and a full-stack developer. This timeline guarantees careful planning and implementation, resulting in a strong and effective model. Our goal is to provide a state-of-the-art solution that is customized to satisfy market demands with concentrated efforts and sufficient resources.

$$y=7000*x(t)-(3*ml+fs)$$

Here $x(t)$ is a function that represents the growth of the customer base and y is the profit.

GitHub Link: [Link](#)