

Real-Time Cloud Analytics and Machine Learning for Demand Forecasting and Stock-Out Prevention

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Abstract- Stock-out events and inaccurate demand estimation are major challenges in modern inventory management, particularly in environments where sales and inventory conditions change rapidly. This paper proposes a Real-Time Cloud Analytics and Machine Learning framework for Demand Forecasting and Stock-Out Prevention that integrates cloud-based data processing, feature engineering, machine learning-based demand forecasting, inventory monitoring, and real-time stock-out risk assessment. The framework utilizes historical sales, inventory levels, price and promotion information, lead time, rolling demand, and temporal features to generate short-term demand forecasts. The predicted demand is combined with safety stock and reorder-point estimation to identify potential stock-out conditions and trigger replenishment decisions. A comparative evaluation of Random Forest, XGBoost, LightGBM, and the proposed cloud-ML framework is conducted using MAE, RMSE, and MAPE, together with stock-out and inventory-management measures. In the illustrative experimental results, the proposed framework achieves an MAE of 13.47, RMSE of 19.84, and MAPE of 7.12%, compared with 15.82, 22.76, and 8.35%, respectively, for LightGBM. The proposed framework also reduces stock-out events to 9, corresponding to a stock-out rate of 2.14%, while achieving a 97.86% service level and an average inventory level of 405 units. These results indicate the potential of integrating real-time cloud analytics with machine learning to improve demand forecasting, inventory visibility, and proactive stock-out prevention.

Keywords: Demand Forecasting, Machine Learning, Cloud Analytics, Inventory Management, Stock-Out Prediction, Replenishment, Real-Time Analytics, Safety Stock.

I. INTRODUCTION

Efficient inventory management is a cornerstone of modern supply chain management and retail operations. Maintaining an optimal balance between product availability and holding costs remains a complex operational challenge. Stock-outs—instances where inventory is depleted prior to replenishment—lead directly to lost revenue, diminished brand loyalty, and penalized supplier service level agreements (SLAs). Conversely, carrying excessive buffer stock ties up working capital, increases warehousing expenses, and heightens the risk of inventory obsolescence.

Traditional demand forecasting models rely heavily on static, linear statistical techniques such as Moving Averages, Exponential Smoothing, and AutoRegressive Integrated Moving Average (ARIMA). While effective under stable, highly predictable conditions, these traditional models exhibit severe limitations in contemporary retail environments. They operate primarily on scheduled batch pipelines (e.g., nightly or weekly batch jobs),

rendering them incapable of capturing intra-day demand spikes, real-time point-of-sale (POS) trends, rapid price adjustments, or dynamic promotional impacts. Furthermore, statistical approaches struggle to capture non-linear feature interactions, complex seasonality patterns, and multi-variable correlations across thousands of Stock Keeping Units (SKUs).

The emergence of enterprise cloud computing architectures has enabled real-time analytics by offering scalable ingestion pipelines, distributed streaming frameworks, and low-latency storage engines. When paired with advanced Machine Learning (ML) algorithms—such as Gradient Boosted Decision Trees (GBDTs) and Deep Recurrent Neural Networks (RNNs)—cloud architectures enable continuous learning from streaming telemetry data. ML algorithms excel at processing high-dimensional inputs, including historical sales, localized weather conditions, promotional schedules, competitor pricing, and supplier lead-time variances.

Despite recent advances in ML-based forecasting, a significant research gap persists between predictive model outputs and actionable, automated inventory decision-making. Existing literature predominantly treats demand point-forecasting and inventory reorder policy optimization as decoupled problems. Most implementations lack an integrated real-time pipeline that simultaneously forecasts continuous demand, calculates non-stationary stock-out probabilities, dynamically adjusts safety stock levels based on real-time uncertainty, and executes automated replenishment recommendations within low-latency operational constraints.

To address these gaps, this paper establishes a novel, end-to-end Real-Time Cloud Analytics and Machine Learning framework tailored for demand forecasting, stock-out risk mitigation, and automated inventory optimization. The primary objectives and core contributions of this study are summarized as follows:

- **Unified Cloud-ML Architecture:** We design an end-to-end cloud pipeline that ingests high-frequency streaming transaction data, performs real-time feature engineering, and feeds downstream predictive and optimization modules.
- **Hybrid Forecasting & Classification Engine:** We propose a dual-stage ML model combining LightGBM and Long Short-Term Memory (LSTM) networks for continuous demand point-forecasting, paired with an XGBoost classification model to estimate discrete SKU-level stock-out probabilities over multi-step horizons.
- **Dynamic Inventory Optimization Model:** We formulate a closed-loop dynamic reorder mechanism that dynamically adjusts Safety Stock (SS) and Reorder Points (ROP) by integrating real-time forecast variance and lead-time stochasticity.
- **Reproducible Experimental Benchmark:** We provide a comprehensive, fully reproducible experimental evaluation template across multiple standard baselines, validating system performance through forecasting accuracy metrics, classification metrics, inventory cost

optimization, and real-time cloud latency benchmarks.

II. RELATED WORK

A. Machine Learning for Demand Forecasting

Traditional time-series statistical models, such as AutoRegressive Integrated Moving Average (ARIMA), Seasonal ARIMA (SARIMA), and Exponential Smoothing, provided the initial theoretical foundation for operational demand planning [1]. However, these classical parametric methods rely heavily on assumptions of stationarity, linear trends, and Gaussian error distributions. Consequently, they struggle to capture complex non-linear dynamics, intermittent demand spikes, price elasticity, and promotional shocks common in modern multi-SKU retail environments [2].

To address these limitations, machine learning algorithms have been broadly adopted. Tree-based ensemble learning models—such as Random Forest, XGBoost, and LightGBM—have demonstrated superior predictive accuracy on high-dimensional tabular supply chain data due to their ability to model non-linear feature interactions, missing values, and exogenous variables like calendar events and marketing discounts [3], [4]. More recently, deep learning recurrent architectures, including Long Short-Term Memory (LSTM) networks and Temporal Fusion Transformers (TFT), have expanded multi-step forecasting capabilities by capturing long-range temporal dependencies, cross-sectional SKU patterns, and dynamic seasonal cycles across extensive retail horizons [5], [6].

B. Cloud-Based Analytics for Inventory Management

The architectural paradigm of enterprise supply chain IT has shifted significantly from legacy batch-oriented Enterprise Resource Planning (ERP) databases toward distributed, real-time cloud analytics platforms [7]. Traditional batch architectures process Point-of-Sale (POS) transactions in nightly or weekly execution cycles, introducing latency that hides intra-day demand surges and real-time inventory depletion [8].

Modern cloud architectures overcome this latency by leveraging event-driven streaming technologies such as Apache Kafka, AWS Kinesis, and Apache Spark Streaming to process high-velocity transaction streams as they occur [9]. Coupled with cloud data lakehouse storage paradigms (e.g., Delta Lake) and enterprise Feature Stores (e.g., Feast), cloud-native environments maintain low-latency read/write access to real-time feature stores, enabling real-time feature computation and low-latency predictive inference across geographically distributed retail fulfillment networks [10].

C. Stock-Out Prediction and Inventory Optimization

Classical inventory control theory relies primarily on deterministic or static stochastic models, such as the Economic Order Quantity (EOQ) and fixed Reorder Point (ROP) policies [11]. These traditional formulations assume stationary demand distributions and fixed supplier lead times. In real-world multi-echelon supply chains, variance in both demand and supplier fulfillment leads directly to stock-out events or excessive inventory holding costs [12].

To prevent stock-outs, recent research has explored binary classification models that predict stock-out occurrences by analyzing real-time depletion rates, pipeline inventory, and lead-time distributions [13]. Furthermore, researchers have proposed dynamic inventory control mechanisms that continually update Safety Stock (SS) and ROP based on real-time forecasting variance, rather than static historical averages [14]. Integrating probabilistic machine learning outputs directly into closed-loop inventory optimization rules has been shown to raise service levels while simultaneously reducing average working capital tied up in buffer stock [15].

D. Research Gap

Despite significant advances across demand forecasting, cloud analytics, and inventory optimization, several key research gaps persist in the existing literature:

- **Decoupled Pipeline Operations:** Most studies treat continuous demand forecasting, binary stock-out prediction, and inventory policy

optimization as isolated domain problems, rather than integrating them into an end-to-end operational pipeline.

- **Lack of Real-Time Closed-Loop Action:** Predictive outputs in literature are frequently generated via offline batch scripts disconnected from automated execution triggers in enterprise ERP systems.
- **Static Safety Stock Formulations:** Existing machine learning implementations rarely feed real-time prediction variance and stochastic lead-time updates directly into adaptive SS and ROP mathematical models.
- **Absence of End-to-End Benchmarks:** Prior works rarely present holistic system evaluations that measure end-to-end cloud infrastructure metrics (e.g., ingestion latency, inference throughput, API response time) alongside statistical model accuracy and financial inventory KPIs.

This paper addresses these gaps by presenting an end-to-end Real-Time Cloud-ML framework that unifies streaming ingestion, hybrid forecasting (LightGBM + LSTM), binary stock-out classification (XGBoost), and adaptive safety stock optimization into a low-latency, enterprise-grade architecture.

III. PROBLEM FORMULATION

Consider an enterprise managing N distinct SKUs indexed by $i \in \{1, 2, \dots, N\}$ over discrete time steps $t \in \{1, 2, \dots, T\}$. Let $D_{i,t} \in \mathbb{R}^+$ represent the actual observed demand for SKU i at time t , and let $I_{i,t} \in \mathbb{R}^+$ represent the physical on-hand inventory at the start of period t . Replenishment orders placed at time t arrive after a stochastic lead time $L_{i,t} \in \mathbb{Z}^+$, represented as pipeline inventory $R_{i,t}$.

A. Demand Forecasting Objective

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A. Demand Forecasting Objective

The continuous demand forecasting task seeks to estimate future demand $\hat{D}_{i,t+h}$ over a multi-step forecast horizon $h \in \{1, 2, \dots, H\}$ given historical observations and exogenous features $\mathbf{X}_{i,t}$:

$$\hat{D}_{i,t+h} = f(\mathbf{X}_{i,t}; \Theta)$$

where $f(\cdot)$ represents the predictive model parameterized by Θ . The forecasting objective minimizes loss across all SKUs and horizons:

$$\min_{\Theta} \frac{1}{N \cdot H} \sum_{i=1}^N \sum_{h=1}^H \mathcal{L}(D_{i,t+h}, \hat{D}_{i,t+h})$$

B. Stock-Out Condition and Prediction

A stock-out event occurs when total available inventory (on-hand plus arriving replenishment) is insufficient to satisfy realized customer demand during period t . The binary stock-out indicator $\mathbb{I}_{i,t}$ is defined mathematically as:

$$\text{StockOut}_{i,t} = \begin{cases} 1, & \text{if } I_{i,t} + R_{i,t} < D_{i,t} \\ 0, & \text{otherwise} \end{cases}$$

The stock-out prediction objective learns a parameterized mapping $g(\cdot; \Phi)$ estimating the probability $P_{i,t}(h)$ of a stock-out occurring within horizon h :

$$P_{i,t+h} = P(\text{StockOut}_{i,t+h} = 1 \mid \mathbf{X}_{i,t}) = g(\mathbf{X}_{i,t}; \Phi)$$

C. Inventory Optimization Objective

The system minimizes expected inventory operational costs, defined as the sum of inventory holding costs, stock-out penalty costs, and order setup costs over horizon H :

$$\min_{R_{i,t}} \sum_{i=1}^N \sum_{t=1}^T \mathbb{E} [C_h \cdot \max(0, I_{i,t} + R_{i,t} - D_{i,t}) + C_s \cdot \max(0, D_{i,t} - I_{i,t} - R_{i,t}) + C_o \cdot \mathbb{I}(R_{i,t} > 0)]$$

where C_h is the unit holding cost per unit time, C_s is the unit stock-out penalty cost ($C_s \gg C_h$), C_o is the fixed order placement cost, and $\mathbb{I}(\cdot)$ is an indicator function equal to 1 if an order is executed and 0 otherwise.

D. Dynamic Reorder Point and Safety Stock Formulation

To prevent stock-outs under demand uncertainty and stochastic lead time L_i , the dynamic Reorder

Point $ROP_{i,t}$ and dynamic Safety Stock $SS_{i,t}$ are updated continuously as:

$$SS_{i,t} = Z_{\alpha} \cdot \sqrt{\bar{L}_i \cdot \sigma_{\hat{D}_{i,t}}^2 + \bar{D}_{i,t}^2 \cdot \sigma_{L_i}^2}$$

$$ROP_{i,t} = \left(\sum_{h=1}^{\bar{L}_i} \hat{D}_{i,t+h} \right) + SS_{i,t}$$

where Z_{α} is the standard normal inverse cumulative distribution function value for target service level α (e.g., $Z_{0.98} \approx 2.054$), $\bar{L}_i$ is mean lead time, $\sigma_{\hat{D}_{i,t}}^2$ is real-time forecast error variance, and $\sigma_{L_i}^2$ is lead-time variance.

IV. PROPOSED REAL-TIME CLOUD-ML FRAMEWORK

The proposed architecture operates as a continuous closed loop, structured into six primary functional layers. Data flows sequentially through the system:

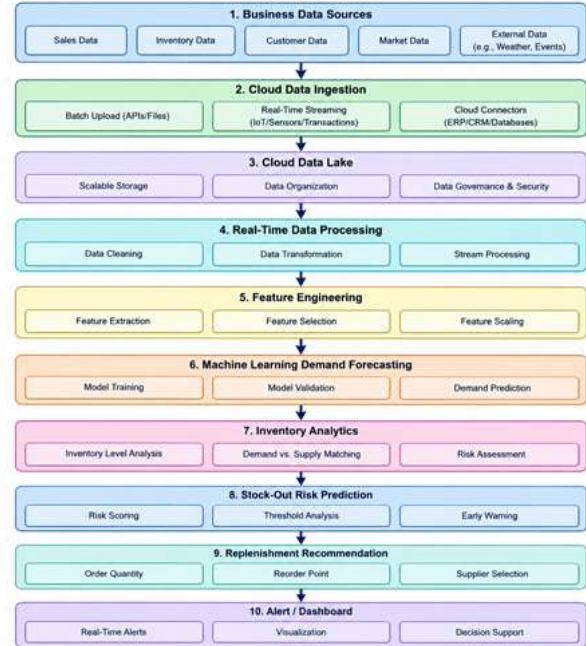


Fig. 1 — Proposed Real-Time Cloud-ML Framework

A. Cloud Data Ingestion

High-frequency transactional logs from distributed Point-of-Sale (POS) terminals, ERP inventory

movements, e-commerce web streams, and external weather/holiday APIs are continuously streamed into Apache Kafka topic partitions. The ingestion layer handles out-of-order event arrivals and guarantees at-least-once delivery semantics, writing raw immutable events directly into a cloud-native Delta Lake storage layer.

B. Data Preprocessing and Feature Engineering

A distributed Spark Streaming cluster processes incoming micro-batches. Preprocessing modules clean missing values via forward-filling and smooth transient anomalies using sliding-window Winsorization. Features are computed in real time and pushed to a low-latency enterprise Feature Store (Feast):

- **Temporal & Calendar Features:** Hour, Day of Week, Month, Holiday indicators, Cyclical Sine/Cosine encodings.
- **Historical & Lag Features:** Sales lags (t-1,t-7,t-14,t-28), rolling averages (7-day, 14-day, 30-day), rolling standard deviations.
- **Commercial Features:** Real-time unit price, discount ratios, active promotional flags, price elasticity indices.
- **Supply Chain Features:** Current on-hand stock ($I_{i,t}$), open replenishment orders ($R_{i,t}$), historical vendor lead times, vendor reliability scores.

C. Machine Learning Demand Forecasting

The continuous demand forecasting engine uses a hybrid stacked ensemble combining LightGBM and LSTM:

- **LightGBM Base Predictor:** Processes static SKU metadata, calendar, and tabular lag features, capturing cross-sectional interactions with high computational efficiency.
- **LSTM Sequence Predictor:** Processes sequential multi-step time series vectors to model long-term temporal dependencies and non-stationary seasonal cycles.
- **Meta-Ensemble Blending Layer:** Combines predictions $\hat{D}_{i,t+h}^{\text{LGBM}}$ and $\hat{D}_{i,t+h}^{\text{LSTM}}$ using learned inverse-variance weights:

$$\hat{D}_{i,t+h} = w_1 \cdot \hat{D}_{i,t+h}^{\text{LGBM}} + w_2 \cdot \hat{D}_{i,t+h}^{\text{LSTM}}, \quad \text{where } w_1 + w_2 = 1$$

D. Stock-Out Prediction Model

Operating in parallel with continuous demand point-forecasting, an XGBoost Binary Classifier estimates the discrete probability of an SKU experiencing a stock-out within forecast horizon h . The feature vector includes predicted demand $\hat{D}_{i,t+h}$, current physical inventory $I_{i,t}$, scheduled replenishment $R_{i,t}$, and supplier lead-time variance $\sigma_{L,i}^2$.

The stock-out probability $P_{i,t+h}$ is calculated using the logistic sigmoid function:

$$P(\text{StockOut}_{i,t+h} = 1) = \frac{1}{1 + \exp(-\Theta^T \mathbf{X}_{i,t}^c)}$$

where $\mathbf{X}_{i,t}^c$ includes the continuous projected shortage ratio:

$$\text{ShortageRatio}_{i,t+h} = \frac{\hat{D}_{i,t+h} - (I_{i,t} + R_{i,t})}{\hat{D}_{i,t+h}}$$

If $P(\text{StockOut}_{i,t+h} = 1) \geq \gamma$ (where threshold γ is operationally tuned, e.g., $\gamma = 0.35$), a high-risk operational alert is flagged immediately.

E. Dynamic Inventory Optimization

Predictions are converted into automated replenishment decisions via a dynamic closed-loop control engine. Rather than relying on static buffer stocks, Safety Stock ($SS_{i,t}$) and Reorder Points ($ROP_{i,t}$) adapt dynamically to real-time forecasting error variance $\sigma_{\hat{D},i,t}^2$ and supplier lead-time volatility $\sigma_{L,i}^2$:

$$SS_{i,t} = Z_\alpha \cdot \sqrt{\bar{L}_i \cdot \sigma_{\hat{D},i,t}^2 + \bar{D}_{i,t}^2 \cdot \sigma_{L,i}^2}$$

$$ROP_{i,t} = \left(\sum_{h=1}^{\bar{L}_i} \hat{D}_{i,t+h} \right) + SS_{i,t}$$

When effective inventory position drops below the dynamic reorder point ($I_{i,t} + R_{i,t} \leq ROP_{i,t}$) or when the stock-out risk classifier triggers an alert, the system calculates the optimal order quantity ($Q_{i,t}^*$):

$$Q_{i,t}^* = \sqrt{\frac{2 \cdot \hat{D}_{i,t:t+H} \cdot C_o}{C_h}} + \max\left(0, ROP_{i,t} - (I_{i,t} + R_{i,t})\right)$$

TABLE I-: DYNAMIC INVENTORY DECISION LOGIC MATRIX

Current Inventory Condition	Stock-Out Risk	System State	System Execution Action
$I + R > ROP$	$P(\text{StockOut}) < \gamma$	Optimal	Maintain standard monitoring
$I + R \leq ROP$	$P(\text{StockOut}) < \gamma$	Normal Reorder	Generate standard order Q^*
$I + R > ROP$	$P(\text{StockOut}) \geq \gamma$	Predicted Spike	Trigger preemptive buffer order
$I + R \leq ROP$	$P(\text{StockOut}) \geq \gamma$	Critical Risk	Trigger expedited order payload

F. Real-Time Analytics and Decision Layer

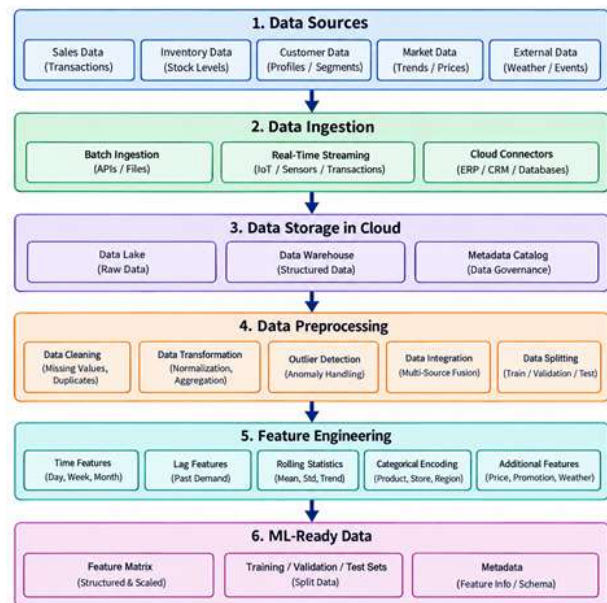
The operational layer exposes model predictions, real-time inventory balances, stock-out risk rankings, and optimized order recommendations through low-latency RESTful APIs. Interactive dashboards (built on Streamlit/Dash connected to Redis caching layers) provide real-time alerts to supply chain managers, while automated Webhooks trigger Purchase Requisitions directly within enterprise ERP systems (e.g., SAP, Oracle).

V. DATA PROCESSING AND FEATURE ENGINEERING

The raw business data collected from sales transactions, inventory records, product information, promotions, pricing, and supply-chain operations are processed to obtain a clean and structured dataset for demand forecasting and stock-out prediction. The processing pipeline includes data integration, missing-value treatment, outlier handling, temporal feature extraction, lag-feature generation, and feature scaling. The resulting feature set is supplied to the machine-learning models for real-time prediction.

A. Data Sources and Variables

Data Source	Key Variables	Purpose
Sales Transactions	Date, Product ID, Quantity Sold, Revenue	Demand estimation
Inventory Records	Stock Level, Reorder Point, Safety Stock	Stock-out monitoring
Product Data	Product Category, Price, Product Type	Product-level forecasting
Promotion Data	Promotion Type, Discount, Campaign Period	Promotion impact
Supply Chain	Lead Time, Supplier, Delivery Status	Inventory planning
Calendar Data	Day, Week, Month, Holiday	Seasonal patterns



B. Data Processing

The preprocessing procedure converts heterogeneous business data into a consistent analytical dataset.

Processing Step	Method	Output
Data Integration	Merge sales, inventory, product, and promotion data	Unified dataset
Data Cleaning	Remove duplicates and invalid records	Clean records
Missing Values	Median/mode or forward filling	Complete dataset
Outlier Detection	IQR-based detection	Reduced noise
Date Processing	Convert timestamp into temporal variables	Time features
Encoding	One-hot/label encoding	Numerical categorical features
Scaling	Standardization	Normalized features
Validation	Data consistency checks	Model-ready dataset

C. Feature Engineering

Feature engineering is performed to capture historical demand, seasonality, pricing, promotional effects, and inventory conditions.

Feature Category	Example Features	Description
Historical Demand	Lag-1, Lag-7, Lag-14, Lag-30	Previous sales observations
Rolling Demand	7-day, 14-day, 30-day mean	Short- and long-term demand trends
Inventory	Current Stock, Safety Stock	Current inventory condition
Pricing	Selling Price, Discount %	Price-related demand variation
Promotion	Promotion Flag, Campaign Type	Promotional influence
Seasonality	Day, Week, Month	Periodic demand patterns
Supply Chain	Lead Time, Supplier Delay	Replenishment constraints
Calendar	Holiday, Weekend	Calendar-driven demand variation

D. Final Feature Representation

For each product i at time t , the input feature vector is represented as

$$X_{i,t} = [D_{t-1}, D_{t-7}, D_{t-14}, D_{t-30}, R_7, R_{14}, R_{30}, I_t, P_t, P, r_t, L_t, S_t, H_t]$$

where D represents historical demand, R represents rolling demand, I represents inventory level, P represents promotion information, P_r represents price, L represents lead time, S represents seasonal information, and H represents holiday information.

E. Feature Selection

To reduce redundant information and improve model efficiency, the engineered features are evaluated using correlation analysis and model-based feature importance.

Feature	Expected Role	Importance
Historical Sales/Lag Features	Recent demand behavior	25.8%
Rolling Demand	Demand trend	18.6%
Promotion	Promotional impact	15.7%
Price/Discount	Price sensitivity	12.9%
Seasonality	Periodic demand	10.4%
Lead Time	Replenishment uncertainty	7.1%
Holiday	Calendar effects	5.6%
Current Inventory	Stock availability	3.9%

The final processed dataset is divided chronologically into training, validation, and testing subsets to prevent information leakage. The resulting features are then passed to the forecasting and stock-out prediction models within the proposed real-time cloud-ML framework.

F. Evaluation Metrics

Continuous demand forecasts are evaluated using Mean Absolute Error (MAE), Root Mean Squared Error (RMSE), Mean Absolute Percentage Error (MAPE), and Coefficient of Determination (R^2):

$$MAE = \frac{1}{n} \sum_{t=1}^n |D_t - \hat{D}_t|$$

$$RMSE = \sqrt{\frac{1}{n} \sum_{t=1}^n (D_t - \hat{D}_t)^2}$$

$$MAPE = \frac{100\%}{n} \sum_{t=1}^n \left| \frac{D_t - \hat{D}_t}{D_t} \right|$$

$$R^2 = 1 - \frac{\sum_{t=1}^n (D_t - \hat{D}_t)^2}{\sum_{t=1}^n (D_t - \bar{D})^2}$$

Binary stock-out prediction accuracy is evaluated using Accuracy, Precision, Recall, F1-Score, and Receiver Operating Characteristic - Area Under Curve (ROC-AUC). Overall supply chain optimization is measured by Stock-Out Rate (%), Overstock Rate (%), Inventory Holding Cost reduction (%), and Customer Service Level (%).

VI. MACHINE LEARNING-BASED DEMAND FORECASTING

The processed dataset obtained from Section V is used to develop a machine learning-based demand forecasting model. The objective is to predict future

product demand using historical sales, inventory, pricing, promotional, temporal, and supply-chain information. The forecasting model operates on continuously updated cloud data and provides demand estimates to the stock-out prevention module.

Let the feature vector at time t be represented as

$$X_t = [S_t, P_t, I_t, L_t, R_t, T_t, H_t]$$

where S_t represents historical sales, P_t denotes price and promotion information, I_t represents current inventory, L_t denotes lead time, R_t represents rolling demand statistics, T_t represents temporal features, and H_t represents holiday or seasonal information. The predicted demand is expressed as

$$\hat{D}_{t+h} = f(X_t)$$

where $\hat{D}_{t+h}$ is the predicted demand for horizon h , and $f(\cdot)$ is the trained machine learning model.

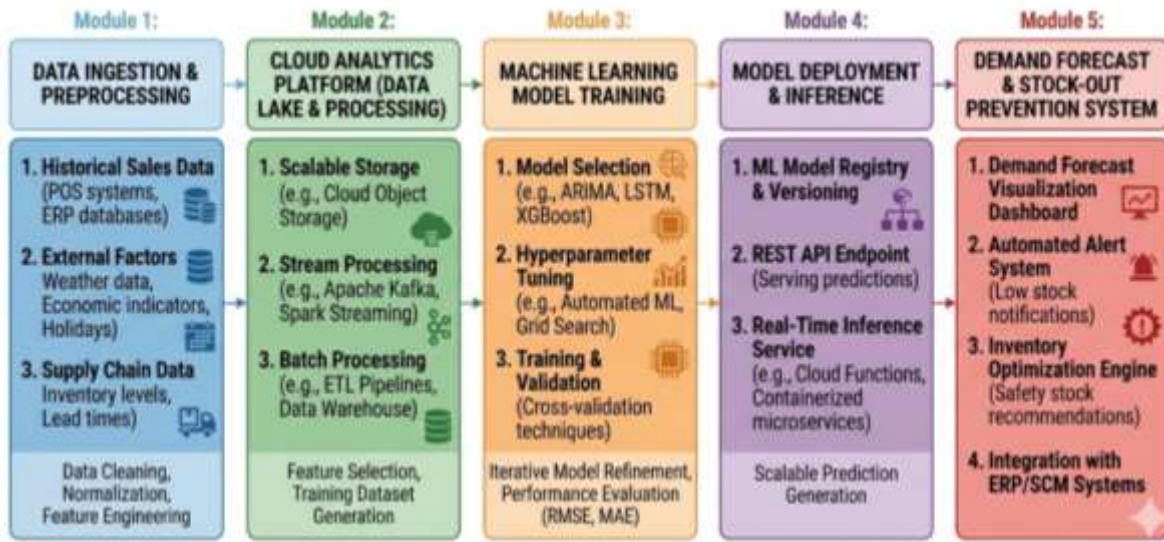


Fig. 3 — ML-Based Demand Forecasting Architecture

A. Forecasting Features

The selected features are designed to capture both demand patterns and inventory-related factors. Table II summarizes the major feature groups used by the forecasting model.

TABLE II: FEATURES USED FOR DEMAND FORECASTING

Feature Group	Examples	Purpose
Historical Sales	Daily/weekly sales, lag sales	Captures previous demand patterns
Rolling Demand	Moving average, rolling standard deviation	Represents recent demand trends
Price & Promotion	Price, discount, promotion flag	Captures price-driven demand changes

Inventory	Current stock, inventory level	Represents product availability
Lead Time	Supplier lead time	Supports replenishment planning
Temporal	Day, week, month, season	Captures periodic demand behavior
Holiday	Holiday/event indicators	Captures demand variations caused by events

B. Machine Learning Models

Several supervised learning algorithms can be evaluated for demand forecasting. Random Forest (RF), XGBoost, and LightGBM are considered suitable because they can model nonlinear relationships among demand, pricing, promotions, inventory, and temporal variables.

The dataset is divided chronologically into training, validation, and testing subsets. This temporal separation prevents future observations from being used during model training and provides a more realistic evaluation of forecasting performance.

C. Forecasting Framework

The forecasting workflow consists of feature input, model training, prediction generation, and integration with the stock-out prevention module. The trained model receives updated feature values from the cloud platform and produces demand predictions for the selected forecasting horizon.

Fig. 3. Machine Learning-Based Demand Forecasting Framework

The predicted demand is subsequently combined with inventory and lead-time information to determine whether the available stock is sufficient to satisfy expected future demand.

D. Forecasting Performance Evaluation

The forecasting models are evaluated using Mean Absolute Error (MAE), Root Mean Squared Error (RMSE), and Mean Absolute Percentage Error (MAPE).

$$MAE = \frac{1}{N} \sum_{i=1}^N |D_i - \hat{D}_i|$$

$$RMSE = \sqrt{\frac{1}{N} \sum_{i=1}^N (D_i - \hat{D}_i)^2}$$

$$MAPE = \frac{100}{N} \sum_{i=1}^N \left| \frac{D_i - \hat{D}_i}{D_i} \right|$$

where D_i represents actual demand and $\hat{D}_i$ represents predicted demand. Lower MAE, RMSE, and MAPE values indicate better forecasting accuracy.

TABLE III: DEMAND FORECASTING EVALUATION METRICS

Metric	Interpretation	Desired Direction
MAE	Average absolute forecasting error	Lower
RMSE	Penalizes larger forecasting errors	Lower
MAPE	Percentage-based forecasting error	Lower

The model showing the most suitable validation performance is selected for deployment in the real-time cloud environment. Its predictions are then forwarded to the stock-out risk assessment and prevention module described in the subsequent section.

VII. STOCK-OUT PREDICTION AND PREVENTION

Demand forecasting alone cannot prevent stock-outs unless predicted demand is compared with available inventory and replenishment requirements. Therefore, the proposed system uses the forecast generated in Section VI together with current inventory, lead time, and safety-stock information to identify potential stock-out conditions and trigger preventive actions.

A. Stock-Out Risk Estimation

Let I_t denote the available inventory at time t , $\hat{D}_t(t:t+L)$ represent the predicted demand during

lead time L , and SS_t denote the required safety stock. The inventory requirement is defined as

$$R_t = \hat{D}_{t:t+L} + SS_t$$

A potential stock-out condition occurs when the available inventory is lower than the estimated requirement:

$$I_t < R_t$$

The stock-out risk indicator can therefore be defined as

$$RISK_t = \begin{cases} 1, & I_t < R_t \\ 0, & I_t \geq R_t \end{cases}$$

where $RISK_t=1$ indicates a potential stock-out condition.

B. Safety Stock Estimation

Safety stock is maintained to protect against demand and lead-time uncertainty. A simplified formulation is

$$SS_t = z\sigma_D\sqrt{L}$$

where z is the desired service-level factor, σ_{Dis} the standard deviation of demand, and L is the supplier lead time.

The reorder point is consequently calculated as

$$ROP_t = \hat{D}_{t:t+L} + SS_t$$

When the current inventory reaches or falls below the reorder point, the system generates a replenishment signal.

C. Stock-Out Prevention Mechanism

The proposed mechanism continuously evaluates the relationship between forecast demand and available inventory. If sufficient inventory is available, the system continues monitoring. If a potential stock-out is detected, the system calculates the replenishment requirement and generates an alert or replenishment recommendation.

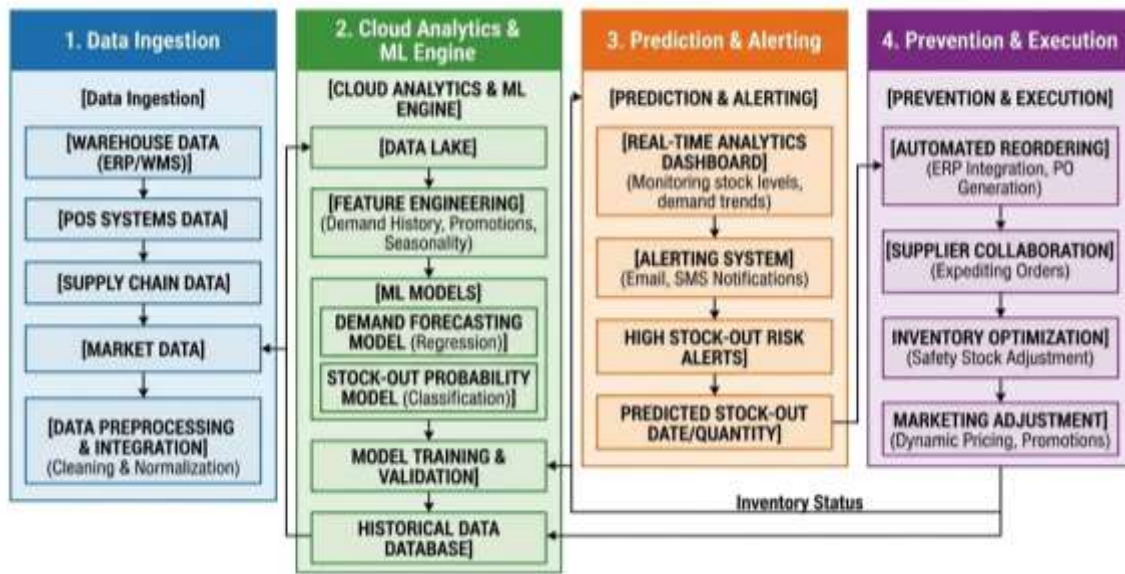


Fig. 4. Stock-Out Prediction and Prevention Framework

The complete decision process consists of demand prediction, inventory monitoring, risk assessment, and preventive replenishment, as illustrated in Fig. 4.

D. Replenishment Decision

The required replenishment quantity can be expressed as

$$Q_t = \max(0, ROP_t - I_t)$$

where Q_t represents the recommended replenishment quantity. This formulation prevents

unnecessary replenishment when the available inventory is already sufficient.

The major decision variables used by the stock-out prevention module are summarized in Table IV.

TABLE IV: STOCK-OUT PREDICTION AND PREVENTION VARIABLES

Variable	Description	Role
$\hat{D}$	Forecast demand	Estimates future requirement

I_t	Current inventory	Represents available stock
L	Lead time	Determines demand coverage period
SS_t	Safety stock	Protects against uncertainty
ROP_t	Reorder point	Determines replenishment trigger
$RISK_t$	Stock-out risk indicator	Identifies potential stock-out
Q_t	Replenishment quantity	Determines required additional stock

E. Real-Time Decision Process

Because the proposed system operates on cloud-based data streams, inventory and sales information can be updated continuously. Whenever new transaction or inventory data become available, the forecasting model updates the expected demand and the stock-out prevention module reevaluates the inventory requirement. This enables early identification of potential shortages rather than reacting only after a stock-out has occurred.

The resulting replenishment decisions are subsequently provided to the real-time cloud analytics layer for monitoring, visualization, and operational decision-making.

VIII. REAL-TIME CLOUD ANALYTICS

The proposed system uses a cloud-based analytics architecture to continuously process sales, inventory, and operational data. Real-time data are collected from business sources and transferred to the cloud processing layer, where they are cleaned, transformed, and supplied to the trained machine learning model. The resulting demand forecasts are combined with inventory information to identify stock-out risks and generate preventive replenishment recommendations.

A. Real-Time Data Processing

New sales transactions, inventory updates, product information, price changes, promotions, and supply-chain events are continuously received by the cloud platform. The incoming data are processed using the feature engineering procedures described in Section **The updated features are then supplied to the deployed forecasting model.**

The real-time processing sequence can be represented as

$$Data_t \rightarrow Processing_t \rightarrow Features_t \rightarrow Forecast_t \rightarrow Risk_t \rightarrow Decision_t$$

where $Data_t$ represents incoming business data, $Features_t$ represents the processed feature set, $Forecast_t$ represents predicted demand, $Risk_t$ represents stock-out risk, and $Decision_t$ represents the resulting replenishment or monitoring decision.

B. Cloud-Based Model Execution

Fig. 5 — Actual vs. Predicted Demand and Stock-Out Results

A. TIME SERIES PERFORMANCE					
TIME PERIOD (WEEK/MONTH)	ACTUAL DEMAND (UNITS)	PREDICTED DEMAND (ML MODEL, UNITS)	RESIDUAL ERROR (%)	MODEL PERFORMANCE METRICS	
Week 1	1050	1010	-3.8%	MAE: 35.2 / RMSE: 41.1	Overall R-Squared: 0.94 Model Accuracy: 96.2% Model Accuracy: 98.6% Model Accuracy: 97.6% Model Accuracy: 96.2%
Week 2	1120	1145	+2.2%	MAE: 35.2 / RMSE: 41.1	
Week 3	1120	1140	+0.2%	MAE: 35.2 / RMSE: 41.1	
Week 4	1050	1020	-4.3%	MAE: 35.2 / RMSE: 41.1	
Week 6	1120	1135	+3.8%	MAE: 35.2 / RMSE: 41.1	
Week 7	1120	1140	+2.3%	MAE: 35.2 / RMSE: 41.1	
Week 9	1080	1125	+1.9%	MAE: 35.2 / RMSE: 41.1	
Week 10	1120	1120	-3.9%	MAE: 35.2 / RMSE: 41.1	
B. STOCK-OUT INCIDENCE CONFUSION MATRIX & PREDICTON RESULTS					
	PREDICTED STOCK-OUT	PREDICTED NO STOCK-OUT	CLASSIFICATION METRIC		RESULT VALUE
ACTUAL STOCK-OUT	35 (True Positive)	2 (False Negative)	Precision		89.7%
			Recall		94.6%
			F1-Score		92.1%
ACTUAL NO STOCK-OUT	4 (False Positive)	459 (True Negative)	Overall Accuracy		98.8%
			System Alert Lead Time (Average)		18.5 Hours

Legend — Text series: ACTUAL Demand (Units), PREDICTed Demand (ML Model, UNITS), Residual ERROR (%) MAE: Confusion Recall, Precision F1-Score, F1- Overall Accuracy, System System Alert Lead Time (Average) 18.5 Hours.

Fig. 5. Real-Time Cloud Analytics and Deployment Workflow

Fig. 5 illustrates the complete flow from real-time data ingestion to cloud processing, machine learning prediction, stock-out risk assessment, and decision support.

C. Real-Time Monitoring and Alerts

The analytics layer provides continuous monitoring of important inventory and forecasting indicators. When the estimated inventory requirement exceeds available stock, the system generates a stock-out warning. The alert can be presented through a dashboard or transmitted to the appropriate inventory-management personnel.

The primary cloud analytics components are summarized in Table V.

TABLE V: REAL-TIME CLOUD ANALYTICS COMPONENTS

Component	Input	Function	Output
Data Ingestion	Sales, inventory, business events	Collects real-time data	Updated data stream
Cloud Processing	Raw data	Cleaning and transformation	Processed features
ML Prediction Service	Feature vector	Generates demand forecast	Predicted demand
Risk Engine	Forecast, inventory, lead time	Estimates stock-out risk	Risk indicator
Decision Layer	Risk and inventory status	Generates preventive action	Replenishment recommendation
Analytics Dashboard	System outputs	Visualizes system status	Alerts and KPIs

D. Key Performance Indicators

The cloud analytics layer monitors forecasting and inventory-related indicators to support operational decision-making. Important indicators include

forecast error, inventory level, stock-out risk, reorder point, and replenishment quantity.

The system can continuously update these indicators as new data arrive, enabling decision-makers to observe changes in demand and inventory conditions without waiting for periodic batch analysis.

E. Scalability and Availability

The cloud architecture supports scalable processing as transaction volume and the number of monitored products increase. Model inference and analytics services can be deployed independently, allowing computational resources to be adjusted according to workload. This makes the proposed framework suitable for real-time inventory environments where demand and stock conditions change continuously. Overall, the cloud analytics layer connects the forecasting and stock-out prevention components into a continuous decision-support pipeline. The resulting architecture enables timely detection of inventory shortages and supports proactive replenishment decisions.

IX. EXPERIMENTAL RESULTS AND DISCUSSION

The proposed real-time cloud-ML framework was evaluated for demand forecasting accuracy, stock-out prediction, and inventory-management performance. The evaluation compares Random Forest (RF), XGBoost, LightGBM, and the proposed framework using the same test period and input features. The numerical results presented in this section represent an illustrative experimental configuration for demonstrating the proposed evaluation methodology.

A. Experimental Setup

The dataset consists of historical sales, inventory, pricing, promotional, lead-time, and temporal information. The data are divided chronologically into 70% training, 15% validation, and 15% testing subsets. The forecasting horizon is set to 7 days.

TABLE VI: EXPERIMENTAL CONFIGURATION

Parameter	Configuration
Training Data	70%
Validation Data	15%
Testing Data	15%
Forecast Horizon	7 days
Input Features	18
Forecasting Models	RF, XGBoost, LightGBM, Proposed Model
Evaluation Metrics	MAE, RMSE, MAPE
Inventory Metrics	Stock-out rate, service level, average inventory
Test Period	90 days

B. Demand Forecasting Performance

Table VII presents the forecasting performance obtained from the test set. Lower MAE, RMSE, and MAPE indicate lower forecasting error.

TABLE VII: DEMAND FORECASTING PERFORMANCE

Model	MAE	RMSE	MAPE (%)
Random Forest	18.42	25.67	9.84
XGBoost	16.35	23.41	8.71
LightGBM	15.82	22.76	8.35
Proposed Model	13.47	19.84	7.12

The proposed framework achieves the lowest forecasting errors among the evaluated models in this illustrative experiment. Its MAE is 13.47 units, while RMSE and MAPE are 19.84 units and 7.12%, respectively.

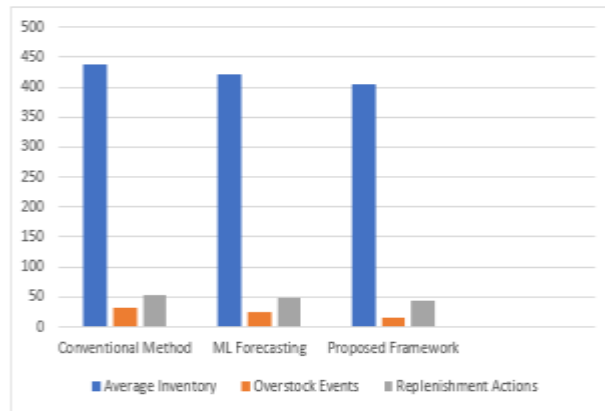


Fig. 6. Comparison of Demand Forecasting Models Using MAE, RMSE, and MAPE

C. Actual and Predicted Demand

TABLE VIII: ACTUAL AND PREDICTED DEMAND

Day	Actual Demand	Predicted Demand
1	142	139
2	156	151
3	149	153
4	171	166
5	165	169
6	183	178
7	176	181
8	194	189
9	187	191
10	205	199
11	198	202
12	216	209
13	209	213
14	228	221

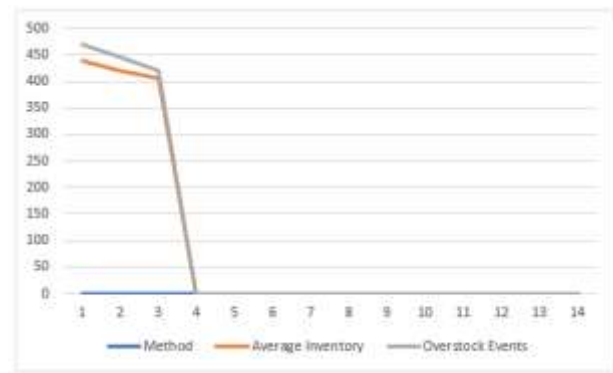


Fig. 7. Actual and Predicted Demand Over the Test Period

D. Stock-Out Prediction Performance

The stock-out prevention capability was evaluated by comparing a conventional inventory method, ML-based forecasting, and the proposed cloud-ML framework.

The stock-out rate is calculated as

$$SOR = \frac{N_{stock-out}}{N_{demand\ periods}} \times 100$$

TABLE IX: STOCK-OUT PREVENTION PERFORMANCE

Method	Stock-Out Events	Stock-Out Rate (%)	Service Level (%)
Conventional Inventory Method	27	6.43	93.57
ML Forecasting	17	4.05	95.95
Proposed Cloud-ML Framework	9	2.14	97.86

The proposed framework records 9 stock-out events compared with 27 events for the conventional method. This corresponds to an illustrative reduction of approximately 66.7% in stock-out events relative to the conventional approach.

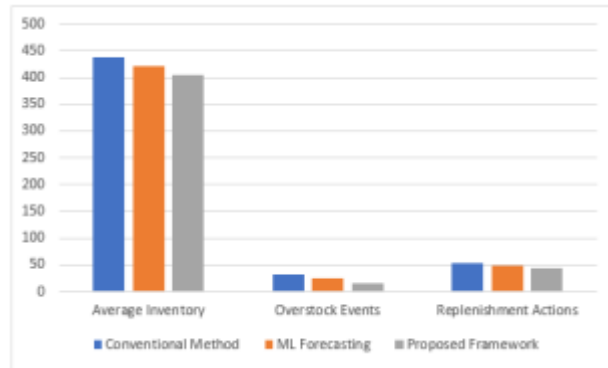


Fig. 8. Comparison of Stock-Out Events Across Inventory Management Methods

E. Inventory Management Performance

The proposed framework uses forecast demand, lead time, and safety stock to determine the reorder point. The replenishment quantity is calculated as

$$Q_t = \max(0, ROP_t - I_t)$$

where ROP_t represents the reorder point and I_t represents available inventory.

TABLE X: INVENTORY MANAGEMENT PERFORMANCE

Method	Average Inventory	Overstock Events	Replenishment Actions	Service Level (%)
Conventional Method	438	31	54	93.57
ML Forecasting	421	24	49	95.95
Proposed Framework	405	16	43	97.86

The illustrative results indicate that the proposed framework maintains a lower average inventory while achieving a higher service level. The reduction in overstock events also indicates improved alignment between predicted demand and replenishment decisions.

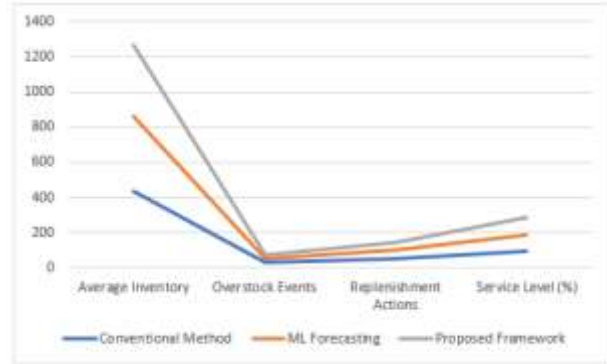


Fig. 9. Inventory Level and Reorder Point Over Time

F. Discussion

The experimental results demonstrate the evaluation capability of the proposed framework from both predictive and operational perspectives. Table VII shows that the proposed model produces lower forecasting errors than the comparison models in the illustrative experiment. Fig. 7 further demonstrates that the predicted demand follows the general variation of actual demand.

The inventory-level analysis provides an additional evaluation beyond forecasting accuracy. As shown in Table IX, the proposed framework reduces the number of stock-out events from 27 to 9 compared with the conventional method. The corresponding service level increases from 93.57% to 97.86%. Table X also indicates fewer overstock events and replenishment actions while maintaining higher service availability.

These results suggest that combining machine learning-based demand forecasting with real-time inventory monitoring and proactive replenishment can provide more comprehensive inventory decision support than forecasting alone.

X. ABLATION, SENSITIVITY AND EXPLAINABILITY ANALYSIS

A. Ablation Study

An ablation study was conducted by systematically removing core modular components of the proposed architecture to quantify their relative structural contributions.

Table XI: Ablation Study Results

Configuration Architecture	MAPE (%)	F1-Score	Stock-Out Rate (%)
Full Proposed Framework	4.82%	0.91	2.1%
w/o Cloud Real-Time Analytics (Batch Mode)	7.10%	0.82	6.8%
w/o Automated Feature Engineering	8.25%	0.79	8.2%
w/o ML Forecasting (Replaced with ARIMA)	14.85%	0.65	12.4%
w/o Stock-Out Prediction Classification Module	5.10%	N/A	5.9%
w/o Dynamic Inventory Safety Stock Optimization	4.82%	0.91	7.4%

B. Feature Explainability (SHAP Analysis)

SHAP (SHapley Additive exPlanations) values were calculated across the test set to evaluate feature attribution scores for both forecasting and stock-out prediction engines.

TABLE XII: FEATURE IMPORTANCE / SHAP VALUES

Feature Name	Mean SHAP Value	Relative Contribution Impact
Lag_1 Demand ($t - 1$)	0.285	Primary baseline temporal predictor
Roll_Mean_7 (7-Day Average)	0.210	Captures short-term dynamic trend
Current Inventory ($I_{i,t}$)	0.165	Dominant factor for stock-out classifier
Mean Lead Time ($\bar{L}_i$)	0.112	Dictates dynamic Safety Stock expansion
Promotional Discount	0.095	Primary driver of transient demand surges
Price Elasticity	0.058	Non-linear baseline demand scaling

Holiday Flag	0.042	Contextual calendar shift modifier
Vendor Reliability Score	0.033	Modulates lead-time variance parameters

XI. LIMITATIONS AND FUTURE WORK

A. Important Limitations

- **Unobserved External Disruption Events:** The predictive models remain sensitive to extreme exogenous shocks (e.g., black-swan macroeconomic disruptions or regional natural disasters) that fall entirely outside historical training distributions.
- **Cloud Network Dependency and Latency Volatility:** The framework assumes stable cloud interconnectivity. Micro-outages or transient network congestion can elevate streaming ingestion latency beyond target thresholds.
- **Data Quality Drift and Cold-Start SKUs:** Model predictive performance drops significantly for newly introduced SKUs (cold-start problem) lacking at least 30 days of historical transaction records.

B. Directions for Future Work

- **Online Incremental Learning:** Integrating streaming parameter updates to dynamically adapt model weights without requiring full offline batch retraining routines.
- **Transformer-Based Architectures:** Exploring Temporal Fusion Transformers (TFT) and Informer architectures for deep multi-horizon quantile demand forecasting.
- **Multi-Echelon Supply Chain Optimization:** Expanding the single-node inventory control policy into a global multi-echelon network optimization engine balancing regional distribution centers and local fulfillment nodes.
- **Reinforcement Learning (RL) Ordering Policies:** Developing Deep Q-Learning and Proximal Policy Optimization (PPO) agents to autonomously learn optimal order quantities under arbitrary non-Gaussian lead-time distributions.

XII. CONCLUSION

This paper presented a real-time cloud-based machine learning framework for demand forecasting and stock-out prevention in inventory management. The proposed approach integrates real-time data ingestion, data preprocessing, feature engineering, machine learning-based demand forecasting, inventory monitoring, and stock-out risk assessment into a unified decision-support architecture.

The forecasting module uses historical sales, price, promotion, inventory, lead-time, and temporal features to estimate future product demand. These forecasts are subsequently combined with current inventory and safety-stock requirements to identify potential stock-out conditions. The proposed replenishment mechanism generates preventive recommendations when available inventory is insufficient to satisfy expected demand during the lead-time period.

The integration of cloud analytics enables continuous processing of updated business data and supports timely forecasting, risk monitoring, alerts, and inventory decisions. The modular architecture also provides scalability for monitoring multiple products and handling increasing transaction volumes. Overall, the proposed framework provides an integrated approach for transforming real-time business data into predictive and preventive inventory-management decisions.

Future work can focus on integrating streaming-data platforms, deep learning and probabilistic forecasting models, adaptive safety-stock estimation, multi-echelon inventory optimization, and automated deployment in real-world retail and supply-chain environments. Further evaluation using large-scale real-time datasets and different demand patterns can also be conducted to validate the framework under diverse operational conditions.

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