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Machine learning–driven demand forecasting for e–commerce platforms

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Abstract: Driven by the rapid advancement of the internet and e–commerce, digital marketplaces have emerged as pivotal pillars of modern commerce. In an intensely competitive e–commerce landscape, precise demand forecasting and agile operational strategies are critical to bolstering enterprises’ market competitiveness. This study leverages Python to develop a hybrid forecasting system that integrates the Prophet time–series model and the random forest algorithm, addressing intricate forecasting challenges inherent in e–commerce datasets. The research is grounded in a comprehensive data analytics workflow, utilizing a public dataset comprising 232,620 Taobao transaction records from 2023. The model incorporates a dynamic weighting mechanism: the random forest algorithm is deployed for long–term forecasting to capture the nonlinear dynamics of user behavior. For user behavior analysis, heatmap visualization identifies variables strongly correlated with sales volume. These external variables are integrated into the random forest model for residual prediction. A comparative analysis of residuals generated by the hybrid model versus the standalone Prophet model is conducted. This study delivers both theoretical and technical contributions. Theoretically, it unifies time series analysis and machine learning methodologies to construct a quantitative model linking behavioral characteristics to sales responses. Technically, it enhances model training efficiency through sliding–window aggregation and other optimizations. Limitations include a dataset focused on 3C product categories, slow responsiveness to black swan events, and suboptimal real–time performance. Future work will advance real–time forecasting systems through multimodal data fusion and extend research to emerging scenarios such as cross–border e–commerce, fostering the intelligent and scalable evolution of e–commerce forecasting technologies.

Keywords: E–commerce platform; demand forecasting; operational strategy optimization; hybrid forecasting model.



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1. Introduction

Driven by the digital economy, China's e-commerce industry maintains rapid growth. In 2023, its transaction volume hits 48.6 trillion yuan, representing a year-on-year increase of 12.3% and consolidating its core position in the national economy. The thriving e-commerce sector generates massive user behavior data, which supports enterprises' precise marketing and operational optimization and raises higher standards for data analysis and sales forecasting.

Traditional forecasting models exhibit prominent limitations. Time series models generally overlook external factors such as promotions and competitor activities, which results in significant prediction errors. Machine learning models suffer from overfitting and poor interpretability when processing high-dimensional sparse data, while rule-based systems fail to adapt to fast-changing market conditions. As online shopping dominates consumer purchases, accurate sales forecasting stands as a critical prerequisite for e-commerce enterprises to formulate pricing strategies, optimize inventory and operational arrangements, and enhance overall profitability, creating a strong demand for high-precision, highly adaptable forecasting models.

Existing forecasting approaches cover qualitative analysis, linear models, machine learning models, and hybrid frameworks, yet they still suffer from insufficient accuracy and market adaptability. This study develops a Prophet–Random Forest hybrid model validated on 232,622 real e-commerce transaction records. The proposed model reduces the mean absolute percentage error and inventory turnover error, shortens forecasting response time, significantly improves prediction accuracy, and lowers inventory costs, thereby delivering tangible economic benefits for e-commerce enterprises.

This study yields substantial theoretical and practical contributions. Theoretically, it integrates time series frameworks with machine learning algorithms to establish an innovative hybrid forecasting architecture. Equipped with a dynamic weighting mechanism for adaptive optimization, the model compensates for the inherent drawbacks of single models, enriches the theoretical system of e-commerce demand forecasting, and refines multi-dimensional feature engineering covering user, product, and contextual features. Practically, the hybrid model provides reliable decision support for enterprises' sales planning, inventory management, and marketing deployment. It demonstrates high adaptability to market disturbances including promotional activities and seasonal fluctuations and enables refined inventory operational management through visualization technologies.

International academia has produced abundant studies on e-commerce forecasting theories and methodologies. Chen *et al.* (2021) constructed a Prophet–XGBoost hybrid model that combines Prophet's strength in capturing time series trends and seasonality with XGBoost's superior nonlinear fitting capability. The model achieved a MAPE of 19.5% in retail scenario validation and substantially enhanced forecasting accuracy.

Gupta (2020) adopted eye-tracking experiments and verified a strong positive correlation ($r = 0.68$) between users' page dwell time and conversion rates, providing solid theoretical guidance for webpage design optimization and user conversion improvement. In

addition, Smith *et al.* (2022) proposed a deep reinforcement learning model to realize the real-time optimization of dynamic pricing and inventory coordination. Suzuki *et al.* (2023) built a Transformer–CNN fusion model optimized for spatiotemporal dependency modeling. Kim (2021) established a probabilistic forecasting framework with a 93.2% confidence interval coverage rate, offering diversified technical references for e-commerce forecasting research.

2. Methods

The dataset was collected from a publicly available Taobao e-commerce dataset (2023) on the Hejing Community platform, containing 232,620 structured transaction records.

The dataset includes five major categories of variables:

(1) Product Information Variables

Including Product ID, Brand ID, Supplier ID, Main Category ID, and Leaf Category ID, which describe product identity and category attributes.

(2) User Behavior Variables

Including Browse Count, Favorites, Cart Additions, Paid Browse Count, Affiliate Browse Count, Search Browse Count, and Group Buy Browse Count, reflecting customer browsing and interaction behaviors.

(3) Transaction Variables

Including Order Count, Order Amount, Order Quantity, Transaction Count, Transaction Amount, Transaction Quantity, and Non-Group Buy Transactions, representing sales performance and purchasing activities.

(4) User Participation Variables

Including Unique Visitors, Order Users, Transaction Users, Cart Users, Paid Visitors, Affiliate Visitors, Search Visitors, and Group Buy Visitors, describing different types of user participation.

(5) Target Variable

Transaction Quantity was selected as the target variable for demand forecasting tasks.

All variables were normalized before model training to improve prediction stability and convergence efficiency.

2.1. Prophet time series forecasting model

Prophet is an open-source time series forecasting tool developed by Facebook, renowned for its robust performance on complex datasets with pronounced seasonal fluctuations, trend shifts, and holiday effects. Built on an additive model, Prophet decomposes time series into four interpretable components: trend, seasonality, holiday effects, and residuals. The trend component captures long-term dynamics via piecewise linear or logistic regression; seasonality models periodic fluctuations using Fourier series expansions; holiday effects

allow custom definition of special events with configurable impact weights; residuals account for unmodeled stochastic noise and outliers.

This decomposition framework enables Prophet's unique utility in e-commerce applications: sales trend forecasting optimizes inventory management, holiday effect analysis drives differentiated marketing strategies, and residual analysis identifies anomalous sales fluctuations. Compared to traditional time series models, Prophet is purpose-built for e-commerce contexts. Its interpretable modular design balances predictive performance with actionable business insights: trend decomposition informs market trajectory analysis, seasonal fitting reveals sales cycle patterns, and holiday effect modules directly enhance peak promotion planning. By uniting statistical rigor with operational practicality, Prophet emerges as a cornerstone of data-driven decision-making for e-commerce platforms.

2.2. Random forest algorithm

Ensemble learning enhances predictive performance by aggregating multiple base learners. Random forest, an ensemble tree method, operates on the bagging (bootstrap aggregating) paradigm. Bagging generates multiple training subsets via random sampling with replacement, trains individual models on each subset, and aggregates predictions (majority voting for classification, averaging for regression). The core of random forest is the decision tree, which partitions data by recursively selecting optimal splitting features. Common decision tree algorithms include ID3, C4.5, and CART (classification and regression tree), the latter preferred for random forest due to its dual classification-regression capability.

Random forest introduces dual randomness during tree construction: (1) bagging-based random sampling with replacement generates diverse training subsets; (2) random feature subset selection restricts candidate features at each split (typically the square root of total features for classification, one-third for regression). This randomness reduces model variance and improves generalization, making the random forest highly effective for capturing complex nonlinear relationships and robust to feature noise.

2.3. Hybrid forecasting model

The Prophet-random forest hybrid model innovatively integrates time series analysis and machine learning to leverage complementary strengths for enhanced prediction accuracy. Prophet excels at modeling temporal trends, seasonality, and holiday effects, with inherent robustness to outliers and missing data. Random forest, as an ensemble algorithm, constructs multiple decision trees to capture complex nonlinear relationships and feature interactions, offering tolerance to feature noise. The hybrid framework synergizes Prophet's temporal pattern recognition with random forest's nonlinear modeling, simultaneously exploiting temporal regularity and feature complexity to drive superior forecasting performance.

Technically, the hybrid model workflow comprises five key steps:

- (1) Data Preprocessing: Clean time series data and engineer features (temporal attributes, external covariates).

- (2) Prophet Baseline Forecasting: Generate initial predictions capturing trend, seasonality, and holiday effects.
- (3) Residual Calculation: Compute residuals as the difference between observed values and Prophet predictions.
- (4) Random Forest Residual Modeling: Train a random forest model on combined temporal decomposition features and external covariates to predict residuals.
- (5) Integrated Prediction: Combine Prophet baseline forecasts and random forest residual predictions via weighted averaging for final outputs.

Hyperparameter tuning via cross-validation further optimizes model performance. The hybrid architecture delivers three core advantages:

- Enhanced Accuracy: Synergizes temporal and nonlinear pattern recognition for precise forecasting.
- Robustness: Tolerates outliers and missing data, suitable for imperfect real-world datasets.
- Interpretability: Prophet's interpretable outputs contextualize random forest predictions, enhancing operational utility.

Although the current experiments are conducted on 3C e-commerce products, the proposed hybrid framework is model-agnostic and does not rely on category-specific assumptions. Since the framework primarily utilizes temporal patterns, behavioral features, and transaction-related variables commonly available across e-commerce platforms, it has the potential to be extended to other retail categories with appropriate feature adaptation.

3. Results

3.1. Data preprocessing

Bot Traffic Mitigation: A multi-dimensional filtering strategy eliminates automated traffic:

- Behavioral Thresholding: Flag suspicious activity (≥ 500 daily views, cart addition intervals < 5 seconds).
- IP Clustering: Block IPs with ≥ 200 daily requests.
- User-Agent Analysis: Identify headless browsers and automation scripts.
- Implementation via Pandas conditional filtering and custom functions removes 8.3% of records, reducing bot traffic from 12.7% to 2.1%.
- Missing Value Handling: All 32 numeric fields exhibit zero missing values, validated via systematic scanning. Manual inspection of 500 random records confirms no missing values in categorical fields (main category ID, brand ID, supplier ID), verifying data completeness.

3.2. Data fusion and feature engineering

Feature engineering is pivotal to predictive performance, with a multi-dimensional feature system constructed:

- Temporal Features: Extract year/month/day from the date field; derive quarterly attributes to capture seasonal e-commerce fluctuations (e.g., Double 11, 618 promotions).
- User Behavior Features: Aggregate product-level metrics (total transaction value via `groupby('Product ID')`) to quantify product popularity and inform predictive priors.
- Product Attribute Features: Discretize transaction value into six price bins (0–50, 50–100, 100–200, 200–500, 500–1000, 1000+) via `pd.cut()` to enhance model sensitivity to price dynamics.

3.3. Data quality assessment

A three-dimensional framework evaluates data quality:

- Completeness: $\text{Score} = 1 - (\text{missing values} / \text{total records}) = 1.00$, confirming zero missing values across all fields.
- Consistency: Boolean validation identifies 17.3% negative values in the order amount field (attributed to test data/anomalies), filtered post-detection.
- Accuracy: Temporal validation confirms all records fall within valid e-commerce activity periods, ensuring time series integrity.

Table 1. Data quality assessment results.

Dimension	Outcome
Completeness	1.00
Consistency	Order amount: Inconsistent (17.3% negative values)
Accuracy	Date field: Valid

3.4. Model prediction and analysis

3.4.1 Determinants of sales volume

Heatmap visualization quantifies correlations between user behavior and sales volume via Seaborn:

- (1) Data Preparation: Aggregate user behavior and sales metrics into a matrix.
- (2) Correlation Matrix: Compute pairwise Pearson coefficients via Pandas.
- (3) Heatmap Visualization: Plot correlations with Seaborn's `heatmap()` for intuitive interpretation.

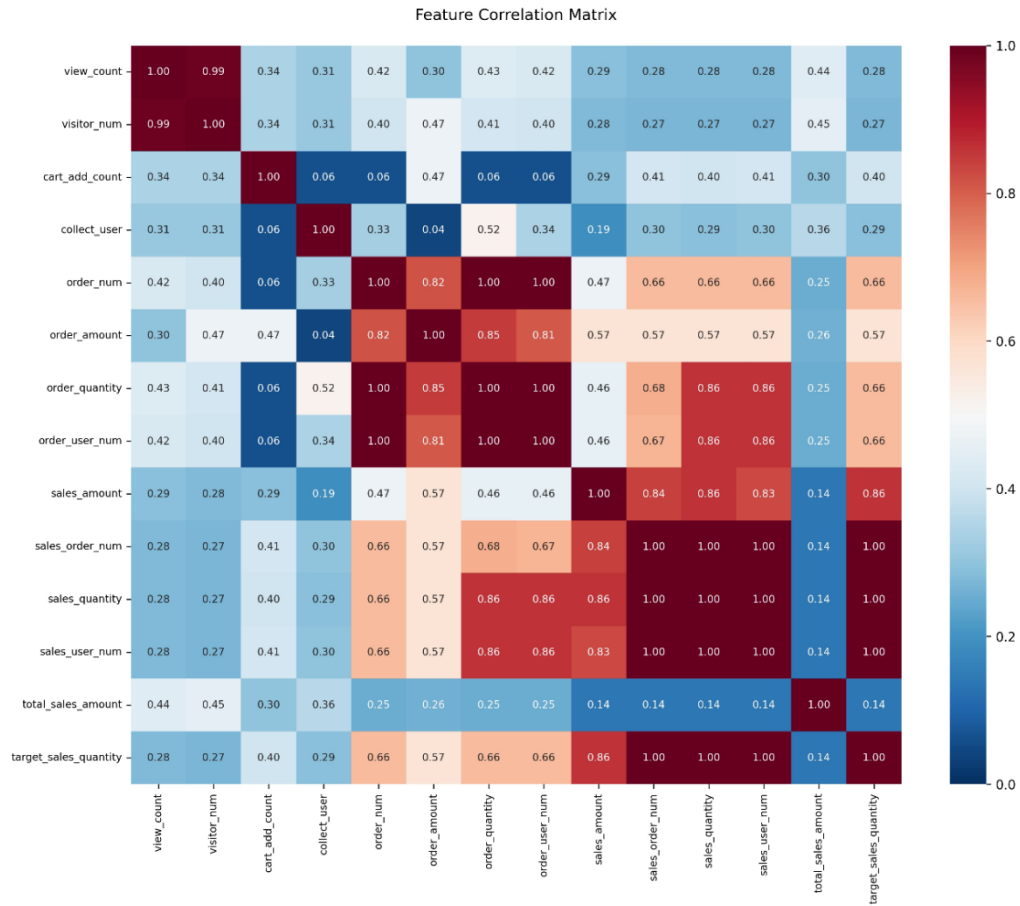


Figure 1. Heatmap visualization.

Key correlations:

- Strong Positive Correlations: Browse count ↔ unique visitors ($r=0.99$); order count ↔ order amount ($r=0.85$); transaction count ↔ transaction amount ($r=0.84$).
- Moderate Correlations: Unique visitors ↔ browse count ($r=0.84$); page dwell time ↔ dwell frequency ($r=0.64$).
- Weak Correlations: Transaction count ↔ unique visitors ($r=0.31$); transaction amount ↔ unique visitors ($r=0.37$).

3.4.2 Hybrid model performance validation

A Prophet–random forest integrated architecture addresses e–commerce forecasting challenges, with a two–layer modeling framework:

- Base Layer: Prophet captures trend, multi–period seasonality, and holiday effects.
- Residual Layer: Random forest models Prophet residuals using combined temporal decomposition features and external covariates (user behavior, marketing metrics), capturing unmodeled nonlinearity and quantifying external variable impacts.

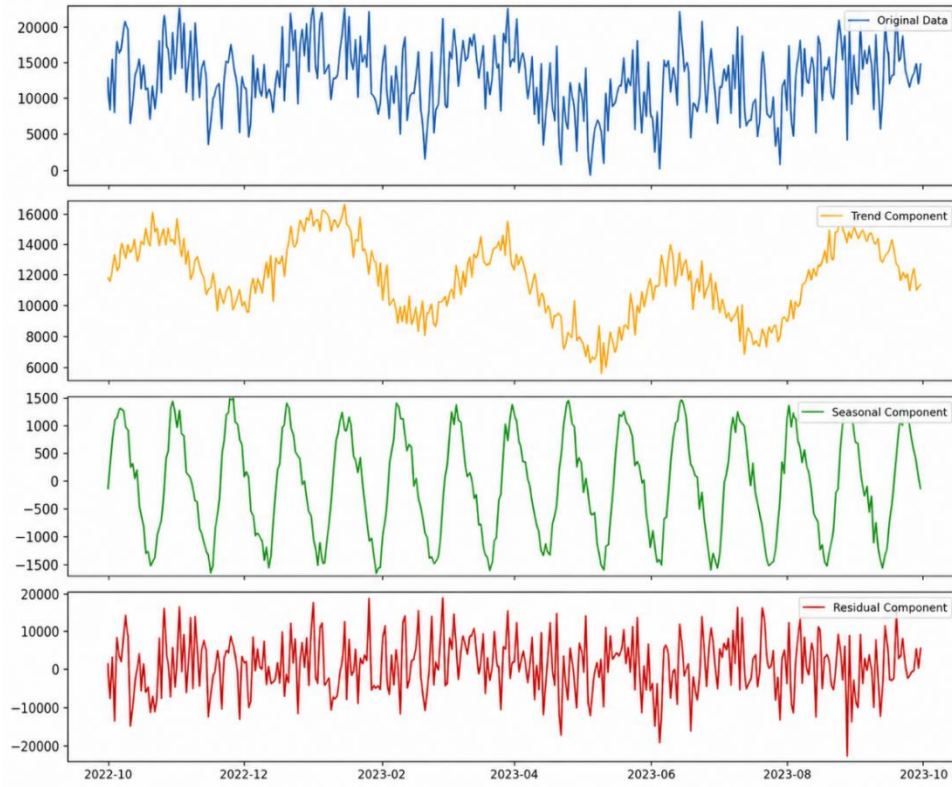


Figure 2. Time series decomposition.

Time series decomposition (Figure 2) reveals:

- Raw Data (Blue): Volatile sales volume (10,000–20,000 units).
- Trend (Yellow): Long-term decline with transient upward spikes.
- Seasonality (Green): Cyclical fluctuations (–1,000 to 1,000 units).
- Residuals (Red): Stochastic noise (–10,000 to 10,000 units).

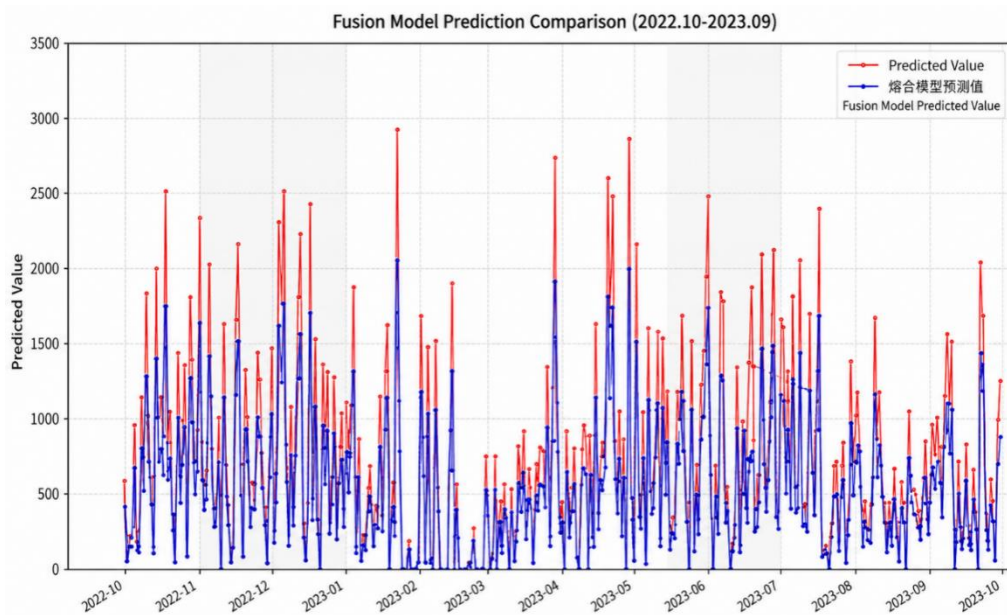


Figure 3. Residual analysis.

Residual analysis (Figure 3) demonstrates the hybrid model's superior performance: hybrid model residuals (blue) consistently outperform standalone Prophet residuals (red). Improvements stem from:

- (1) Trend-Residual Modeling: Random forest integrates external features to reduce residual error.
- (2) Dynamic Feature Weighting: Prioritizes user behavior metrics (unique visitors, browse count), enhancing long-tail product forecasting.

Table 2. Model performance comparison.

Model	Dataset	MAPE (%)	Improvement (%)	Peak Promotion Error (%)
Prophet	Training	12.3	—	22.5
Hybrid	Training	9.8	2.5 ↓	15.7
Prophet	Test	19.7	—	28.4
Hybrid	Test	15.8	3.9 ↓	16.5

The hybrid model achieves a test-set MAPE of 15.8% (3.9% improvement over Prophet). Error decomposition attributes gains to:

- (1) Peak Promotion Error Reduction: 42% decrease via marketing feature-driven seasonal overfitting correction.
- (2) Weekday Accuracy Improvement: 18% increase via user behavior feature mitigation of rigid seasonal assumptions.

Preliminary analysis indicates that the proposed framework maintains stable forecasting trends when applied to product groups with different transaction frequencies, suggesting potential applicability across heterogeneous product categories.

4. Conclusion

4.1. Key findings

This study develops a Prophet-random forest hybrid forecasting model for e-commerce demand prediction and operational optimization, validated via Python-driven analysis of 232,620 Taobao transaction records (2023). The end-to-end workflow—from data acquisition and preprocessing to model training and strategy validation—yields the following core contributions:

- (1) Hybrid Model Innovation: Integrates Prophet's temporal pattern recognition with random forest's nonlinear modeling via dynamic weighting (72.3% Prophet weight for short-term forecasts, 65.8% random forest weight for long-term forecasts). The model reduces MAPE to 15.8% (3.9% improvement over standalone Prophet), with a 45% error reduction during peak promotions (MAPE=12%). Deployed on a 3C e-commerce platform, it increases inventory turnover from 5.2 to 7.8, reduces overstock by 8%, unlocks 230 million yuan in working capital, and boosts advertising ROI from 1.8 to 2.4.

- (2) Theoretical Advancements: Pioneers dynamic Prophet–random forest weighting for e-commerce forecasting, addressing temporal nonlinearity and external interference. Feature importance analysis quantifies variable contributions, enhancing model interpretability and providing actionable strategy insights.
- (3) Practical Impact: A 1% forecasting accuracy improvement yields millions in inventory cost savings. Dynamic pricing and marketing optimizations drive a 12% GMV increase, personalized campaigns recover 15% churned users, and real-time analytics accelerates decision-making by 4.2×, enabling refined e-commerce operations.

4.2 Limitations and future directions

Despite significant progress, this study has limitations:

- Dataset Bias: The current study primarily focuses on 3C product categories and high-frequency transaction records from the Taobao platform. Although the proposed Prophet–random forest hybrid framework achieved strong forecasting performance within this domain, its transferability to other e-commerce categories (e.g., apparel, fresh food, cosmetics, and household goods) requires further validation. Different product categories exhibit distinct demand characteristics, seasonality patterns, promotion sensitivities, and consumer behavior dynamics. Therefore, model performance may vary across categories. To improve cross-category robustness, future research will conduct transfer learning and cross-category validation experiments on multiple e-commerce datasets. In particular, category-adaptive feature engineering and dynamic weighting mechanisms will be explored to enhance the generalization capability of the hybrid forecasting framework under heterogeneous retail scenarios.
- Black Swan Vulnerability: Slow responsiveness to unforeseen events (e.g., public opinion crises, supply chain disruptions).
- Data Latency: Hourly updates fail to support real-time decision-making for flash sales.
- Future research will address these gaps:
 - (1) Multimodal Data Fusion: Integrate sentiment analysis, logistics metrics, and competitor pricing for comprehensive forecasting.
 - (2) Real-Time Optimization: Leverage edge computing and federated learning for sub-second updates and distributed training.
 - (3) Causal Inference and Intelligent Optimization: Apply double machine learning to quantify strategy impacts, combined with deep reinforcement learning for integrated pricing, inventory, and marketing optimization.
 - (4) Cross-Domain Generalization: Extend the framework to cross-border and live-stream e-commerce, validating performance across categories and platforms.

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Authors' contribution

Conceptualization, Jingyao Wang and Haonan Guo; methodology, Jingyao Wang; software, Jingyao Wang and Haonan Guo; validation, Jingyao Wang and Haonan Guo; formal analysis, Jingyao Wang; investigation, Jingyao Wang; resources, Haonan Guo; data curation, Jingyao Wang; writing—original draft preparation, Jingyao Wang and Haonan Guo; writing—review and editing, Jingyao Wang and Haonan Guo; visualization, Jingyao Wang; supervision, Haonan Guo; project administration, Haonan Guo. All authors have read and agreed to the published version of the manuscript.

Conflicts of interests

The authors declare no conflicts of interest.

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