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## Recommendation Engine

The e-commerce movement, driven by companies such as Amazon and Zappos, was well underway when the COVID pandemic significantly accelerated the use of digital tools to enhance the shopping experience. Consumers are increasingly using their devices to research products, search for deals, and make purchases for home delivery. While brick-and-mortar retailers still account for the majority of retail sales, their share has declined over the years.<sup>1</sup>



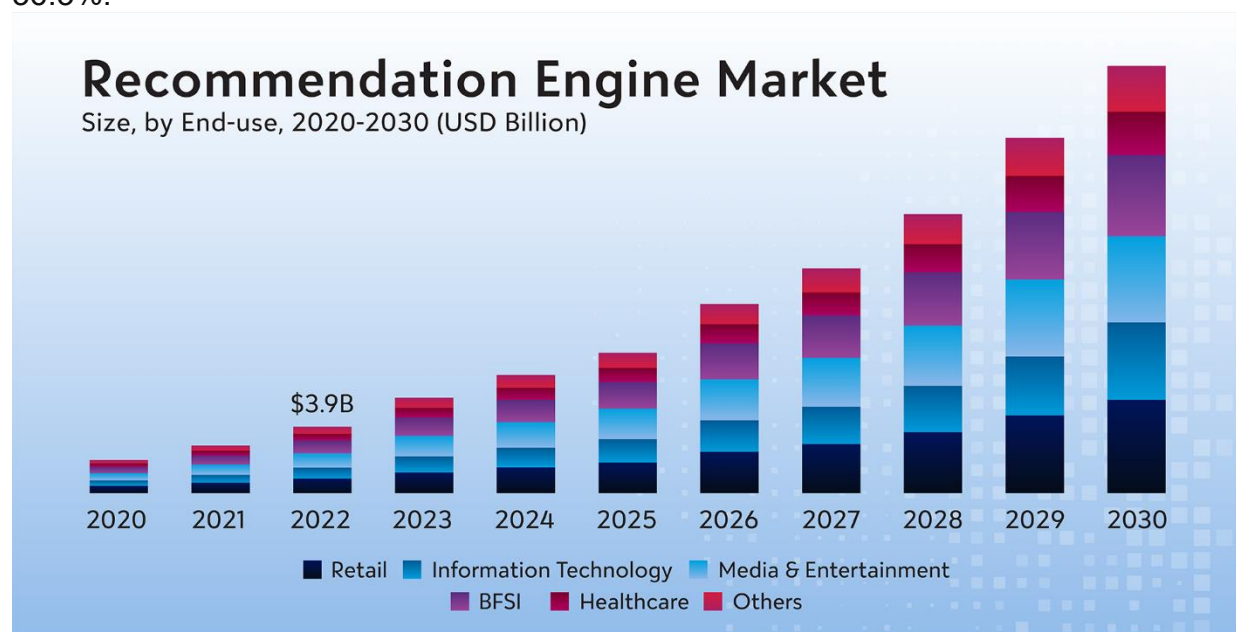
Applying the convenience of digital tools to the tactile experience of brick-and-mortar locations – referred to as “hybrid shopping” or “omnichannel retail” – is a growing trend

that businesses across various sectors are working to refine and capitalize on. One especially effective tool in this effort to deliver an engaging and effective omnichannel experience is the product recommendation engine.

Product recommendation engines utilize advanced algorithms, including machine learning and artificial intelligence, to analyze available data and deliver personalized recommendations to users. In this issue of Data in Motion, we provide an overview of recommendation engines and their potential impact on the lottery industry.

## A Growing Market

The global recommendation engine market was valued at \$3.92 billion in 2023 and is projected to exceed \$33 billion by 2030, a compound annual growth rate (CAGR) of 36.3%.<sup>2</sup>



In addition to improving the consumer experience, the demand for recommendation engines is being driven by the continued adoption of digital technologies by companies of all sizes. The e-commerce industry, in particular, has witnessed a surge in the use of recommendation engines. With the growing reliance on online shopping post-COVID, businesses have increasingly employed recommendation engines to offer personalized product suggestions. Approximately 71% of e-commerce sites offer product recommendations, highlighting their widespread use in online shopping. According to McKinsey, 35% of what shoppers buy on Amazon is driven by recommendation engines.<sup>3</sup>

## Consumer Acceptance

In 2023, Bizrate Insights, which specializes in customer experience and feedback, surveyed 1,000 shoppers to gain a better understanding of their perception and usage of recommendation engines. Generally, the results revealed an overwhelming acceptance of the technology.<sup>4</sup> Some highlights include:



## Final Word

The lottery industry has taken notice of how recommendation engine technology can enhance and deliver a more convenient purchasing experience. An analysis conducted by Scientific Games showed that 90% of player purchases tend to remain within a single product category; for example, a player who purchases instant tickets will typically purchase *only* instant tickets 90% of the time.<sup>5</sup>

In both brick-and-mortar and digital environments, recommendation engine solutions are being used to suggest other games the player might enjoy based on aggregated player data, including market-basket analysis, price point preferences and game play. This not only encourages the additional trial of our products but also exposes players to games and products that they might otherwise be unaware of. This is an exciting development for our industry, and we look forward to sharing additional insights into the usage of product recommendation engines, including their practical applications through Scientific Games' own evolving solution, in a future issue of Data in Motion.

## CONTRIBUTOR



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Susan is a 20-year veteran of the lottery industry and is Scientific Games' Vice President of Marketing.

Sources:

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2. Grand View Research, Recommendation Engine Market Size, Industry Report, 2023
3. McKinsey, The real value of a digital and AI transformation in CPG, 2024
4. Bizrate Insights, Personalized Product Recommendations, 2024
5. Market Basket Analysis, Scientific Games, March 2023 – January 2025

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