Marketing Spirit:

Exploration and Exploitation on Two Dimensions

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1

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ABSTRACT

This conceptual paper examines exploration and exploitation relevant for market-oriented business philosophy. Elaborating on the notion that sustained performance and success of a firm calls for balancing between the innovative activities of exploitation vs. exploration, the article clarifies how exploration and exploitation are needed on both technology/product dimension and market/customer dimension, respectively. It is argued that this exploration-exploitation on two dimensions specifies a refined market-oriented business philosophy, when dedication to the activities of generating, disseminating, and responding to intelligence on both dimensions, as well as competition orientation and coordination, are additionally emphasized. This refined philosophy is referred to as Marketing Spirit. The concept emphasizes, more than the traditional market and marketing orientation concepts, radical innovation besides incremental innovation, as well as understanding of the firm's unique knowledge and capabilities. The notion that Marketing Spirit, involving balancing between exploration and exploitation on the two dimensions, is a driver for sustained performance and success of a firm can also accommodate the recent suggestion that highly successful firms are able to be both market-driven and market-driving at the same time.

Keywords: exploration and exploitation, market orientation, marketing concept, innovation, marketing spirit,

INTRODUCTION

Since the 1950s, researchers have discussed general philosophies and orientations in doing business, as well as related activities to which a company could/should dedicate itself. A basic suggestion of introductory marketing books is that the orientation which a successful modern company should adopt is marketing concept or marketing orientation (Drucker, 1954; McKitterick, 1958; Webster, 1988), rather than production, product, or selling (or sales) orientation (Keith, 1960; Kotler, 1997). In the 1990s, the discussion of the marketing concept or marketing orientation has continued around the concept of market orientation, which researchers have attempted to define and measure in more detail (e.g. Deshapandé, Farley, & Webster, 1993; Jaworski & Kohli, 1993, 2000; Kohli & Jaworski, 1990; Narver & Slater, 1990). Particularly, customer-orientation, competition-orientation, and (inter-functional) coordination, and dedication to the activities of generating, disseminating, and responding to market intelligence have been seen essential in market orientation – as actual part of the philosophy or to implement the more general philosophy of marketing concept (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1999).

A company adopting the marketing concept or marketing/market orientation has generally been thought to be better aligned with its target markets and be able to achieve higher performance. However, the concepts have received critique, too. Much of the critique (e.g. Bennett & Cooper, 1979, 1981; Christensen & Bower, 1996; Frosch, 1996) relates to a suggestion that the concepts suggest excessive focus on current customers and their expressed needs and wants (see e.g. Jaworski & Kohli, 2000) and de-emphasize (radical) innovation and innovativeness (e.g. Christensen & Bower, 1996;

Hamel & Prahalad, 1991; Han, Kim, & Srivastava, 1998). The concepts have also been suggested to ignore the creative abilities, unique capabilities, and objectives of the firm (Kaldor, 1971; Sharp, 1991).

Proponents of the concepts have responded that market orientation is not limited to a focus on (current) customers and their expressed needs and wants (Day, 1999; Slater & Narver, 1998; see also Dickinson, Herbst, & O'Shaugnessy, 1986; Kohli & Jaworski, 1990; Narver & Slater, 1990) and is closely related to innovation capabilities and performance (cf. Hurley & Hult, 1998; Day, 1994a). Moreover, it has been recognized that market orientation needs to be balanced with creativity and a deep understanding of the firm's unique capabilities and objectives (see Houston, 1986; Kaldor, 1971; Sharp, 1991). We subscribe to these views supportive of market-orientation.

On the other hand, further insight to the core of the debate has emerged recently, as distinction between market-driven and market-driving orientations has been made. Specifically, market-driven orientation would refer to reactive business logic indicating the acceptance of the market as given and favouring incremental adjustments to changes in the business environment through adaptive organizational learning (Jaworski & Kohli, 2000; Tuominen, Rajala, & Möller, 2004). Conversely, market-driving orientation would emphasize proactive business logic involving changing the composition of market players and business environment radically through generative learning (Baker & Sinkula, 2002; Jaworski & Kohli, 2000; Tuominen et al., 2004). In other words, market orientation can have either a reactive (focusing on expressed customer needs) or proactive (focusing on latent customer needs) bent (cf. Kyriakopoulos & Moorman, 2004).

Nevertheless, whereas market-driven and market-driving orientations have been implied to be alternatives (cf. Kyriakopoulos & Moorman, 2004), we argue that sustained performance and success of a company involve both. We base this argument particularly on the view that sustained performance and success through organizational adaptation calls for balancing between two types of innovative activities, (1) exploitation and (2) exploration (Kyriakopoulos & Moorman, 2004; Levinthal & March, 1993; Lewin & Volberda, 1999; see also March, 1991), on two dimensions, (1) customer/market dimension and (2) product/technology dimension (see e.g. Smith & Tushman, 2005; Tushman, Smith, Wood, Westerman, & O'Reilly, 2002).

By clarifying how firms can and should engage in exploitation and exploration on not only one but the two dimensions, we contribute, on the hand, to exploration-exploitation literature and the emerging sub-literature (Atuahene-Gima, 2005; Kyriakopoulos & Moorman, 2004; Noble, Sinha, & Kumar, 2002) exploring the links between exploration-exploitation and market orientation. On the other hand, we contribute to the literature discussing market-driven vs. market-driving orientations (e.g. Jaworski & Kohli, 2000; Tuominen et al., 2004). Generally, the focus in exploration-exploitation literature has been, more or less explicitly, on exploration and exploitation related to a firm's technological capabilities and processes. Exploration and exploitation related to customers and buyers have been treated more implicitly and left with little explicit attention (cf. Smith & Tushman, 2005; Tushman et al., 2002). Further, the accounts which have attempted link market orientation to exploration-exploitation have focused on the effects of the interactions between market orientation and exploration-exploitation on organizational (innovation) performance, ignoring that the orientation in itself could essentially involve exploration-exploitation. Literature discussing market-

driven vs. market-driving orientations has, in turn, focused on reactiveness vs. proactiveness with respect to customers and markets and paid less attention to the technological capability dimension. In contrast, we pay explicit attention to exploration-exploitation on *both* technology/product and market/customer dimensions and clarify how a refined market-oriented philosophy may, in itself, essentially involve this exploration-exploitation.

Indeed, we consider that our two-dimensional exploitation-exploration specifies a refined market-oriented general philosophy to business when we additionally emphasize dedication to activities of generating, disseminating, and responding to intelligence on both dimensions, as well as competition-orientation and coordination (Narver & Slater, 1999; Jaworski & Kohli, 1993; Kohli & Jaworski, 1990). In order to free ourselves from some of the paradigmatic baggage related to the concepts of marketing orientation and market orientation, we refer to the refined orientation to business with the term "Marketing Spirit" and illustrate it with a two-dimensional Marketing Spirit Matrix. Being market-driven vs. market-driving comes to be reflected on the diagonal of the matrix.

MARKETING CONCEPT AND MARKET ORIENTATION

Marketing Concept and Marketing/Customer Orientation

The marketing concept, as a general philosophy or orientation to business dates back to the 1950s. Already before McKitterick first used the term marketing concept (McKitterick, 1958), Drucker (1954) illustrated its central tenet – marketing being the

whole business seen from the customer's point of view – through the example of General Electric. In GE, a reorganization had provided marketing with the authority to steer engineering, design, and manufacturing based on market knowledge. Relatedly, in his influential work, Levitt (1960) warned managers about "marketing myopia" and limiting their perspective to R&D and production and called for management to think itself as "providing customer-creating value satisfactions" (p. 56).

In the 1970s and 1980s, the basic notion of marketing concept as a general philosophy or orientation to business remained. For instance, McNamara (1972) defined marketing concept as "a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments" (p. 51). Houston (1986), in turn, provided the following definition: "The marketing concept states that an entity achieves its own exchange determined goals most efficiently through a thorough understanding of potential exchange partners and their needs and wants, through a thorough understanding of the costs associated with satisfying those needs and wants, and then designing, producing, and offering products in light of this understanding" (p. 85).

Marketing concept, or marketing orientation were also early contrasted with business orientations such as production, product, and selling (or sales) orientation (Keith, 1960; Kotler, 1997). Instead of orientation to customers, production orientation would mean focus on increasing production efficiency and wide distribution. The assumption will be that consumers want low-cost and available products. Product orientation would mean focus on developing products with superior features and on raising quality level. The assumption will be that consumers want the products with nice features and best quality.

Sales orientation would mean aggressive selling and promotion efforts. The assumption will be that consumers will not buy enough of the firm's products, if left alone.

Usually, marketing orientation is contrasted with production, product, and sales orientations, and it is implied that marketing orientation, as the most developed and sophisticated orientation, should replace the other three. Although we recognize the importance of marketing/customer orientation, we consider that even excessive juxtaposition is often set up. We return to this notion later when claiming that Marketing Spirit has also some characteristics from selling, product, and production orientations, notably selling, raising quality level, and increasing production efficiency.

Market Orientation

At the turn of the 1990s, renewed research interest in the management philosophy of the marketing concept (Webster, 1988) led to the emergence of a related concept, market orientation (Kohli & Jaworski, 1990; Narver & Slater, 1990; see also Ruekert, 1992; Lafferty & Hult, 2001). Since then, there has been considerable attempt at defining more precisely what kind of general philosophy or orientation to business marketing (concept) calls for and, further, what kind of activities a market oriented firm should dedicate itself to.

On the one hand, it has been suggested that market orientation is a business culture – as a set of beliefs – that puts the customer's interest first (Deshapandé et al., 1993) and most effectively and efficiently creates superior value to customers (Narver & Slater, 1990). On the other hand, with respect to creating superior customer value, emphasis has been put on the organizations' activities related (1) to generation of information,

knowledge, and intelligence about markets, particularly customers and competitors, (2) to disseminating this information, knowledge, and intelligence in the organization and (3) to using and responding to the information, knowledge, and intelligence (Jaworski & Kohli, 1993, 2000; Kohli & Jaworski, 1990). Concerning the generation, dissemination, and responsive use of the information, knowledge, and intelligence, in turn, the activities related to coordinated application of inter-functional resources have been stressed (Jaworski & Kohli, 1993, 2000; Narver & Slater, 1990). In general, Kohli and Jaworski (1990) view market orientation as the implementation of marketing concept.

Albeit that measuring firms' market orientation is problematic, a dominant view – the basic assumption which has also been backed up by empirical evidence – has been that market orientation has a positive effect on business performance (e.g. Jaworski & Kohli, 1993, 1996; Narver & Slater, 1990; Pelham & Wilson, 1996; Slater & Narver, 1994).

Critique of Market(ing) Orientation and Distinction Between Market-Driven and Market-Driving Orientations

However, marketing concept and market orientation have received critique, too. Adopting them has been said to lead to incremental and trivial product development (Bennett & Cooper, 1979, 1981), myopic R&D programs (Frosch, 1996), and loss of industry leadership (Christensen & Bower, 1996). This kind of critical insights are likely to stem from that the fact that market orientation literature seems to have somewhat unbalanced focus on firm's current customers and their expressed needs and wants, as well as current market structure (see Jaworski & Kohli, 2000). Proponents of

market orientation have responded to this (mis)conception by emphasizing that market orientation is not limited to a focus on (current) customers and their expressed needs and wants or current market structure (Slater & Narver, 1998; Day, 1999; see also Atuahene-Gima, 2005; Chandy & Tellis, 1998; Dickinson et al., 1986; Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1995).

Further insight to the core of this debate has emerged recently, as distinction between two types of market orientations have been made: market-driven and market-driving orientations. Specifically, market-driven orientation would refer to reactive business logic indicating the acceptance of the market as given and favouring incremental adjustments to changes in the business environment through adaptive organizational learning (Jaworski & Kohli, 2000; Slater & Narver, 1995; Tuominen et al., 2004). Conversely, market-driving orientation would emphasize proactive business logic involving radical changes to the composition of market players and business environment through generative learning (Baker & Sinkula, 2002; Jaworski & Kohli, 2000; Slater & Narver, 1995; Tuominen et al., 2004). In other words, market orientation could have either a reactive (focusing on expressed customer needs) or proactive (focusing on latent customer needs) bent (cf. Kyriakopoulos & Moorman, 2004).

MARKET-DRIVING VS. MARKET-DRIVEN – EXPLORATION AND EXPLOITATION

Balancing Between Being Market-Driven and Market-Driving and Between Exploitation and Exploration?

Importantly, whereas reactive market-driven and proactive market-driving orientations have mostly been implied to be alternatives (Kyriakopoulos & Moorman, 2004), it has been recently acknowledged that a given firm can both drive markets and be market driven(Jaworski & Kohli, 2000; Kyriakopoulos & Moorman, 2004). Actually, it has even be suggested that highly successful firms are able to be *both* market-driven *and* market-driving at the same time (Jaworski & Kohli, 2000). So that this suggestion can be properly accommodated, a new concept involving aspects of market orientation but spanning beyond it is needed to denote a philosophy or orientation to business. Below, we come to consider Marketing Spirit as such.

Market orientation is essentially linked to (market) information and knowledge and has thus been linked also to organizational learning (Day, 1994a, 1994b; Hurley & Hult, 1998; Slater & Narver, 1995). As mentioned, market-driven orientation has been considered to reflect adaptive organizational learning and market-driving orientation generative organizational learning (Jaworski & Kohli, 2000; Tuominen et al., 2004).

Both market orientation and organizational learning are, in turn, essentially linked to innovation and innovativeness. Innovation can be considered as an inherent manifestation of market orientation when it comes to responsive use of market information and knowledge in adjusting offerings to a changing market (see Kohli & Jaworski, 1990; Hurley & Hult, 1998; Jaworski & Kohli, 2000) – whether incrementally (~market-driven) or radically (~market-driving) (Jaworski & Kohli, 2000; Tuominen et al., 2004). Concerning organizational learning, particularly relevant for our arguments are the views that the capabilities of an organization are developed through path dependent learning processes (Henderson & Cockburn, 1994) and that successful innovation demands that an organization exploits its existing capabilities while trying to

avoiding their dysfunctional rigidity effects by renewing and replacing them with entirely new ones (Leonard-Barton, 1992).

These views are by no means inconsistent with the above-mentioned suggestion that highly successful firms are able to be both market-driven and market-driving at the same time. However, to recognize this, we have to explicitly consider market orientation in conjunction with the organization's unique capabilities – something that literature on market orientation has often somewhat failed to do (Houston, 1986; Atuahene-Gima, 2005; Kaldor, 1971; Sharp, 1991).

Concerning innovation and organizational learning, we elaborate on the basic argument that sustained performance and success of an organization calls for balancing between two types of innovative activities, (1) exploitation and (2) exploration (Kyriakopoulos & Moorman, 2004; Levinthal & March, 1993; Lewin & Volberda, 1999; see also March, 1991). Exploitation can be considered to be based on the organization's current knowledge, resources, and capabilities, whereas exploration can be considered to involve search for new knowledge, resources, and capabilities, relative to the current ones.

Most research on exploration-exploitation has implicitly focused on exploitation and exploration of technological knowledge and capabilities (cf. Kyriakopoulos & Moorman, 2004). What is important from the perspective of market orientation, to the extent that markets and customers have been dealt with, their treatment has been intertwined in the discussion of product/technology innovations. There has been little explicit focus on that exploitation and exploration may happen on the two dimensions: technological and customer/market dimensions (cf. Smith & Tushman, 2005). We

elaborate on this notion next and go on to claim that Marketing Spirit involves balancing between exploitation and exploration on both the two dimensions.

Exploitation and Exploration on Two Dimensions

Importantly, Tushman et al. have recently referred to the need to manage portfolios of innovations which are defined along two dimensions, (1) technology and (2) customer/market (Smith & Tushman, 2005; Tushman & Smith, 2002; Tushman et al., 2002).

Along the technological dimension, Tushman et al. (Smith & Tushman, 2005; Tushman et al., 2002) view that an innovation can be incremental, architectural or discontinuous. In their notion, incremental innovations will involve incremental technical change which refines and extends the existing product through continued exploitation of an existing technological trajectory (see also Dosi, 1982; Rosenkopf & Nerkar, 2001). Architectural innovations will add or subtract product subsystems or change the linkages between subsystems (see also Henderson & Clark, 1990; Baldwin & Clark, 2000). Discontinuous innovations will involve fundamental technical change in a product's core subsystem (see also Dosi, 1982; Gatignon, Tushman, Smith, & Anderson, 2003). These innovations trigger cascading effects throughout the product (Tushman & Murmann, 1998).

Along the customer/market dimension, Tushman et al. (Smith & Tushman, 2005; Tushman et al., 2002) view that an innovation may target existing customers, new customers in defined markets (see also Abernathy & Clark, 1985), or emerging markets (see also Christensen, 1997; Leonard-Barton, 1995).

Although Tushman et al. explicitly discuss the fact that exploitation and exploration may happen on the two dimensions, i.e. technological and customer/market dimensions, their discussion is still somewhat superficial. Tushman et al. do not clarify what exactly is to be exploited vs. explored on the two dimensions when innovations are made. We clarify this next and claim that Marketing Spirit and sustained performance and success of a firm requires balancing between exploitation and exploration on the two dimensions.

MARKETING SPIRIT

Balancing Between Exploitation and Exploration on Both Customer/Market and Product/Technology Dimensions

In general, from the marketing perspective, the fairly self-evident logic why a firm should engage in *exploration* on the *customer/market dimension* involves, at least, three considerations. First, the firm should respond to or prepare for the fact that over time, current buyers/customers are likely to exhibit decreased willingness to purchase the firm's current products, mainly due to increasing obsolescence of the products and substitutes offered by competitors. Second, if the firm detects, in the environment, people or organizations that the firm can serve more profitably with current or new products/technologies than the firm can serve its current buyers/customers, the firm should start serving those people or organizations instead of the current buyers/customers. Third, firms often pursue growth of business and one way to grow is to sell more – whether current products or new products – to new customers.

Engaging in *exploration* on the *product/technology dimension,* in turn, enables exploration on the customer/market dimension, particularly when it comes to offering new products to current or new buyers/customers.

On the other hand, the logic why a firm should engage in *exploitation* on both the customer/market dimension and the product/technology dimension is to sustain the viability of business in the short term: maintaining at least some cash flows from sales of current products to current customers and markets. This exploitation further enables exploration on the two dimensions in the long-term.

Since (more) *exploration* is ultimately enabled simply by investing more resources and money into development of new products and technologies and customers and markets, we focus below particularly on what a firm can *exploit* on the product/technology and customer/market dimensions – and how the exploitation can be combined to exploration on the dimensions.

Exploration-exploitation on product/technology dimension

On product/technology dimension, we claim that a firm can engage in exploitation vs. exploration of its (current) products, product platforms, and/or technologies. With product, we refer to an offering with material and service features. With product platform, we refer to a combination of subsystems and interfaces serving as common components and/or common architecture for multiple products (Jose & Tollenaere, 2005; Meyer & Lehnerd, 1997). With technology, we refer to such knowledge about physical, chemical, technical and/or human factors and their relationships whose application enables the development and production of products and product platforms.

Accordingly, we claim that innovation on the product/technology dimension can take at least the following four archetypal forms, as the level of exploration on the dimension gets higher. First, the firm can exploit its (current) technologies, product platforms, and products, and not explore much anything. Second, the firm can exploit its (current) technologies and product platforms and explore (new) products. Third, the firm can exploit its (current) technologies and explore (new) product platforms and products. Fourth, the firm can explore (new) technologies, product platforms, and products. Table 1 presents the four innovation forms on the product/technology dimension.

INSERT TABLE 1 ABOUT HERE

Much of the work on exploration-exploitation is based on the basic assumption that an organization can exploit its technologies, or technological knowledge and capabilities to efficiently produce products and develop new (incremental) variations of the products and start their production. Moreover, Tushman et al.'s (Smith & Tushman, 2005; Tushman et al., 2002) notion of architectural innovations implies that technologies can be also exploited to develop and produce subsystems and interfaces, which in turn can be applied to produce products. Indeed, the basic idea in the notion of product platforms, in operations and production management research, is that such subsystems and interfaces can be developed which serve as common components and/or architectures of which different product variations can be efficiently produced, as well as new product variations derived (Jose & Tollenaere, 2005; Meyer & Lehnerd, 1997). With respect to products, product platforms, and technologies, a firm can often exploit

also the fact that it has intellectual property rights (IPR), such as patents, to products or some subsystems or interfaces.

Exploration-exploitation on customer/market dimension

On customer/market dimension, we claim that a firm can engage in exploitation vs. exploration of the identity/contact information of its (current) buyers/customers, its (current) buyers/customers, its (current) customer segments, and/or people/organizations with certain (current) manifest wants/needs. With identity/contact information of (current) buyers/customers, we refer to a firm's knowledge, at proper name level, of the identity of a person or organization that has bought or considered buying the firm's products and of how this person or organization can be reached. With (current) buyers/customers, we refer to a person or organization who considers or has considered buying a product of the firm or has bought such. With (current) customer segment, we refer to such a group of people or organizations who have similar wants/needs as those that the firm serves and satisfies with its current products. With people/organizations with certain manifest needs/wants, we refer to a situation in which there exist some people/organizations who have certain wants/needs which they can themselves express fairly well and which are widely understood by market players (see Jaworski & Kohli, 2000; Kyriakopoulos & Moorman, 2004).

Accordingly, we claim that innovation on the customer/market dimension can take at least the following five archetypal forms, as the level of exploration on the dimension gets higher. First, the firm can exploit people/organizations with certain (current) manifest wants/needs, its (current) customer segments, its (current) customers/buyers,

and identity/contact information of its (current) customers/buyers and not explore much anything. Second, the firm can exploit people/organizations with certain (current) manifest wants/needs, its (current) customer segment, and its (current) customers/buyers, and explore (new) identity/contact information of its customers/buyers. Third, the firm can exploit people/organizations with certain (current) manifest wants/needs and its (current) customer segment and explore (new) customers/buyers (and possibly their identity/contact information). Fourth, the firm can exploit people/organizations with certain (current) manifest wants/needs and explore (new) customer segments and (new) customers/buyers (and possibly their identity/contact information). Fifth, the firm can explore (new) wants/needs for people/organizations and (new) customer segments (and possibly new customers/buyers and their identity/contact information). Table 2 presents the five innovation forms on the customer/market dimension.

INSERT TABLE 2 AROUND HERE

Concerning people/organizations who have certain manifest wants/needs, a firm can usually exploit the fact that it is easier to sell products to satisfy existing and somewhat expressed wants/needs which some people/organizations have. In so doing, the firm can avoid having to *create* the wants/needs or elicit latent wants/needs to surface (see e.g Jaworski & Kohli, 2000). If there does not (yet) exist people/organizations which have the wants/needs somewhat expressed, the situation is more challenging. For instance, in the 1970s and 1980s, there were hardly people who would have expressively wanted or needed cellular phones.

Concerning current customer segments (with similar wants/needs), a firm can further exploit the relative ease of selling to people/organizations same products to serve their similar wants/needs. Even if the firm had not ever sold to a certain person or organization of a segment, the firm is likely to be able to relatively easily sell that person or organization same products to serve similar wants/needs as the firm has already managed to sell to other persons or organizations (in the same segment). The firm can usually exploit its knowledge and understanding of such people/organizations, their wants and needs and even their buying processes. For instance, even competitors of the same industry who have not sold to the segment in question rarely have knowledge or understanding of the same nature or extent – not to mention firms of other industries. Moreover, the inertia of people/organizations (Bozzo, 2002; Hannan & Freeman, 1984) can be exploited: their wants/needs change slowly and they tend to continue buying similar products out of habit, through similar buying processes as before.

Concerning current customer/buyers, a firm can usually exploit its even better and more extensive knowledge and understanding of the individual customer/buyers, their wants and needs, and their buying processes. For instance, even companies in the same industry who do not have the specific persons/organizations in question as customers/buyers seldom have knowledge or understanding of the same nature or extent.

Besides, with respect to a current customer/buyer, but often also with respect to a current customer/buyer segment, the firm can additionally exploit the fact that the persons or organizations in question know the firm and its products fairly well (brand awareness) and associate to the products certain positioning in terms of, for example,

price level, product features and quality levels, appropriateness to certain use context, and yield of certain functional, experiential and symbolic benefits (brand associations) (Keller, 1993, 2003). These awareness and associations can be exploited particularly in introducing new products. Moreover, the firm can often exploit the potential positive attitude which the people/organizations have towards the company, as well as loyalty and psychological commitment (Jacoby & Kyner, 1973). Even actual (brand) inertia may be exploited, by which a customer/buyer may continue to buy the firm's products simply out of habit, due to passiveness and/or to save time and effort (Bozzo, 2002; Colgate & Lang, 2001; Zeelenberg & Pieters, 2004).

Finally, concerning identity/contact information of current customers/buyers, customer relationship management research implies that a firm can further exploit the fact that it can fairly easily access and reach the people/organizations in question and, hence, communicate them and target them with customized messages, which are likely to reach them (e.g. Peppers & Rogers, 1993, 1997; Lemon, Barnett White, & Winer, 2002; Peppers, Rogers, & Dorf, 1999; Pine, Peppers, & Rogers, 1995; Simonson, 2005; Winer, 2001). This makes persuading these customer/buyers easier relative to situation in which it is not exactly known, at proper name level, who the customers/buyers actually are or how to reach them. Moreover, generating information, knowledge, and intelligence concerning the customers/buyers becomes easier. It can be noted that whereas exploiting the identity/contact information of customers/buyers has been commonplace in business-to-business marketing, it is increasingly practiced also in consumer marketing (Dowling, 2002; Winer, 2001). Traditionally, for instance a manufacturer of consumer electronic goods has seldom known who the end-buyer of its products are or how to reach them. But due to the development of e.g. information and

communications technology, it is easier for firms to identify and reach their individual consumer-buyers, too. Frequent buyer programs and web-based user communities are examples of applications which provide new possibilities.

INSERT FIGURE 1 ABOUT HERE

Figure 1 presents our notion of exploitation and exploration on the customer/market and product/technology dimensions. Based on the research on exploration-exploitation (Kyriakopoulos & Moorman, 2004; Levinthal & March, 1993; Lewin & Volberda, 1999; Smith & Tushman, 2005; Tushman & Smith, 2002; Tushman et al., 2002), we claim that sustained performance and success of a firm requires balancing between exploitation and exploration on both the product/technology and the customer/market dimension. In other words, a firm should practice innovation in – if not all – various cells around the figure simultaneously. As this notion can accommodate the suggestion that highly successful firms are able to be both market-driven and market-driving at the same time (Jaworski & Kohli, 2000), we view that at the core of a new effective philosophy or orientation to business is just the balancing between exploitation and exploration on the two dimensions. As this philosophy involves aspects of marketing orientation but spans beyond it, we refer to it as *Marketing Spirit*. Accordingly, we refer to the matrix of the Figure as Marketing Spirit Matrix. Our basic proposition is:

Proposition 1: Marketing Spirit is a business philosophy according to which sustained performance and success of a firm is driven by balancing between simultaneous exploitation and exploration along customer/market and product/technology dimensions.

Market-driven vs. market-driving orientations (Jaworski & Kohli, 2000; Tuominen et al., 2004) are somewhat reflected on the diagonal of the Marketing Spirit Matrix. Market-*driving* orientation at clearest is manifest at bottom right (dark grey) to the extent that new want/needs to people and organizations are created by developing technologies, product platforms, and products to serve and satisfy those wants/needs. Somewhat market-driving orientation is manifest (mid-grey) to the extent that such new technologies are developed the application of which in products enables serving the wants/needs of current customer segments or current customers/buyers in radically new ways. On the other hand, somewhat market-driving orientation is manifest (mid-grey) also to the extent that new wants/needs to be satisfied with current products are invented – or purposes of use – beyond current customers/buyers or customer segments.

Market-*driven* orientation at clearest is manifest at the top left of the matrix to the extent that more current products are sold to current customers/buyers and current customer segments. Somewhat market-driving orientation is manifest also to the extent that new products or product platforms are developed to serve and satisfy the anticipated wants/needs of current customers/buyers or current customer segments.

In the cells of the Marketing Spirit Matrix, we describe what the combination of exploration and exploitation on the two dimensions could mean in terms of developing the business of a firm.

Customer Orientation, Intelligence, Competition Orientation, Coordination

As noted, we view that at the core Marketing Spirit is the balancing between exploitation and exploration on both the product/technology and customer/market dimensions, involving simultaneously both market-driving and market-driven orientations. Although Marketing Spirit hence spans beyond (traditional) market orientation, we consider that Marketing Spirit means also dedication to activities which have been considered essential in the concept of market orientation. Accordingly, they can be reflected on the Marketing Spirit Matrix.

Essentially, Marketing Spirit, like market orientation, calls for customer orientation. This is reflected in each of the cells of the Marketing Spirit Matrix, since customer/market dimension always determines the other dimension of the cell.

Moreover, we maintain that Marketing Spirit requires generation, dissemination, and responsive use of market information, knowledge, and intelligence concerning *customers/markets* (see Jaworski & Kohli, 1993, 2000; Kohli & Jaworski, 1990). This can be reflected on the customer/market dimension of the Marketing Spirit Matrix. The more one explores on this dimension, the more the question is about moving away from current customers/buyers and their existing and manifest wants/needs and the more investments have to be made to generation, dissemination, and use of intelligence concerning customers and markets. Nevertheless, we consider that also generation, dissemination, and responsive use of information concerning *products/technologies* have to be, symmetrically, included to Marketing Spirit. This can be reflected on the product/technology dimension of the Marketing Spirit Matrix. The more one explores on this dimension, the more the question is about moving away from current products, product platforms, and technologies, and the more the firm has to invest in generation,

dissemination, and use of information, knowledge, and intelligence concerning products and technologies.

Furthermore, we consider that competition orientation and (interfunctional) coordination are central to Marketing Spirit, like to market orientation (see Narver & Slater, 1990; Jaworski & Kohli, 1993, 2000;). Competition orientation and coordination are necessary both in relation to customers/buyers and products/technologies. Namely information, knowledge and intelligence concerning (1) customers/buyers, (2) products/technologies, as well as the related competition, need to be generated and disseminated in the organization in a coordinated way across functions, so that they meet in information systems and organizational members' cognitions. Further, the organization has to use the intelligence and act responsively in a coordinated way. Reflecting competition orientation on both dimensions in the Matrix is logical, since it is difficult to define the customers of a certain firm (even the firm itself) without defining its products, since it is difficult to define the competitors of a certain firm without defining its customers and products, and since it is difficult to define the products of a certain firm without defining its customers.

To summarize the above discussion, we offer the following propositions:

Proposition 2: Marketing Spirit essentially involves customer-orientation, competition orientation, and inter-functional coordination.

Proposition 3: Marketing Spirit calls for dedication to activities of organization-wide generation, dissemination and responsive use of information, knowledge, and intelligence concerning customers/markets and products/technologies, as well as competition.

Selling, Increasing Production Efficiency, Raising Quality

Finally, as implied above, we do not strictly contrast market/customer orientation to selling, product, and production orientations, but consider that Marketing Spirit involves characteristics of selling, product, and production orientation, too. On the one hand, we consider that Marketing Spirit always involves a fair degree of selling. This is reflected particularly in the first column of the Marketing Spirit Matrix. The first column is first and foremost about actively *selling* current products more to current customers/buyers, to people and organizations in the current customer segments, and to people and organizations outside the current customer segments.

On the other hand, we consider that Marketing Spirit always involves a fair degree of aspects of product and production orientation, too. A firm should continuously develop its production technology and logistics to improve its efficiency. This enables lower costs and hence better profitability or decreases in prices and more value for money to customers. Similarly, a firm should continuously improve the quality level of its current products, at least to retain its current customers/buyers in the pressure of competitors. To the extent that increasing production efficiency and raising quality level are gradual and incremental, one can refer to exploitation. But Marketing Spirit also calls for radical innovations in production technology and logistics and their processes – more of exploration. For instance, Nokia and Dell, companies which are among the most renowned marketers in the late 1990s and 2000,s have been very successful just in innovating production and logistics processes.

Proposition 4: Marketing Spirit involves persistent attempt at selling, at increasing production efficiency, and at raising quality level.

CONCLUDING REMARKS AND SUGGESTIONS FOR FURTHER RESEARCH

This article contributes to several research streams. By clarifying how firms can and should – in order to have sustained performance and success – engage in exploitation and exploration on not only one but two dimensions, we contribute to the exploration-exploitation literature (e.g. Levinthal & March, 1993; Lewin & Volberda, 1999; Smith & Tushman, 2005), and particularly the emerging sub-literature (Atuahene-Gima, 2005; Kyriakopoulos & Moorman, 2004; Noble et al., 2002) examining the links between exploration-exploitation and market orientation. Specifically, we paid explicit attention to exploration-exploitation on *both* technology/product dimension and market/customer dimension. Moreover, we argued that this exploration-exploitation on two dimensions is essential in a refined market-oriented philosophy or orientation to business, Marketing Spirit – instead of viewing the locus of exploration-exploitation outside the philosophy or orientation (cf. Atuahene-Gima, 2005; Kyriakopoulos & Moorman, 2004; Noble et al., 2002). Indeed, we claimed that our two-dimensional exploitation-exploration specifies this refined market-oriented general philosophy to business when dedication to activities of generating, disseminating, and responding to intelligence on both dimensions, as well as competition-orientation and coordination (Narver & Slater, 1999; Jaworski & Kohli, 1993; Kohli & Jaworski, 1990), are additionally emphasized

By paying attention to the exploration-exploitation on the technological capability dimension besides that on the customer/market dimension, we contribute also to the literature discussing market-driven vs. market-driving orientations (e.g. Jaworski &

Kohli, 2000; Tuominen et al., 2004). Specifically, we implicated Marketing Spirit and its essential exploration-exploitation on the two dimensions as involving both market-driven and market-driving orientations. This can accommodate the suggestion that highly successful firms are *both* market-driven *and* market-driving at the same time (Jaworski & Kohli, 2000).

Further research is needed, however, to examine whether and to what extent Marketing Spirit, as specified here, actually contributes to the sustained performance and success of firms. The propositions need to be tested on multiple companies, with methods ranging from case studies to extensive surveys. Case studies looking into particular companies, on the basis of interviews of managers and document materials and published sources, could be a feasible first step. For instance, firms that have operated in a given industry and objectively have had approximately similar sizes and resources at a given point time but later succeeded differently can be contrasted with each other. It can be analysed how and to what extent the performance and success differentials can be attributed to varying degrees of Marketing Spirit and, particularly, the balance (or lack of balance) between exploitation and exploration on the customer/market and product/technology dimensions. The Marketing Spirit Matrix may prove to be a useful tool for analyzing what kind of balance or lack of balance a firm has had, at a given point or period of time, in exploitation and exploration on the two dimensions.

On the other hand, there should be further research into the role of the generation, dissemination, and use of information, knowledge and intelligence concerning customers/markets, products/technologies, and competition and the related organization-wide coordination – when it comes to achieving effective balance between

exploitation and exploration on the two dimensions. This research should benefit from existing research exploring the links between market orientation and exploration-exploitation (Atuahene-Gima, 2005; Kyriakopoulos & Moorman, 2004; Noble et al., 2002). Concerning coordination and finding of effective balance between exploitation and exploration, further research is needed also to study plural or ambidextrous organizational forms. Involving differentiated units and top management team integration, ambidextrous designs build internally consistent architectures and cultures into business units so that the firm can both explore and exploit (e.g. Adler, Goldoftas, & Levine, 1999; Gibson & Birkinshaw, 2004; He & Wong, 2004; Smith & Tushman, 2005; Tushman & O'Reilly, 1997).

Concurrent or consequent to case studies, quantitative measure development for Marketing Spirit and the related aspects and activities should be continued on the basis of measures which have earlier been specified for market orientation and exploration-exploitation (e.g. Atuahene-Gima, 2005; Kyriakopoulos & Moorman, 2004). Concerning exploration-exploitation, the measures should explicitly address exploration-exploitation on customer/market dimension and product/technology dimension, respectively. Using the developed measurement scales, extensive field surveys should be conducted to study to what extent Marketing Spirit contributes to the sustained performance and success of firms and to test the propositions.

Finally, as Marketing Spirit, like market orientation, can be considered to reflect a culture of an organization and its members, further research should study what Marketing Spirit means on individual level. Such attitudinal and behavioural characteristics of individuals should be explored and identified which engender

Marketing Spirit at the organizational level. How to instill Marketing Spirit to individuals and how to strengthen it should be explored.

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TABLE 1. Innovation forms on product/technology dimension

	Exploitation	**Exploration**
Innovation form 1	– Technology; – Product platform; – Product	–
Innovation form 2	– Technology; – Product platform	– Product
Innovation form 3	– Technology	– Product platform; – Product
Innovation form 4	–	– Technology; – Product platform; – Product

TABLE 2. Innovation forms on customer/market dimension

	Exploitation	**Exploration**
Innovation form 1	– Identity/contact information of customers/buyers; – Customers/buyers; – Customer segments; – People/organizations with certain manifest wants/needs	–
Innovation form 2	– Customers/buyers; – Customer segments; – People/organizations with certain manifest wants/needs	– Identity/contact information of customers/buyers
Innovation form 3	– Customer segments; – People/organizations with certain manifest wants/needs	– Customers/buyers: – (Identity/contact information of customers/buyers)
Innovation form 4	– People/organizations with certain manifest wants/needs;	– Customer segments; – Customers/buyers – (Identity/contact information of customers/buyers)
Innovation form 5	–	– People/organizations with certain wants/needs; – Customer segments; – (Customers/buyers) – (Identity/contact information of customers/buyers)

FIGURE 1. Marketing Spirit Matrix

Product/Technology dimension Generation, dissemination, and use of **information, knowledge, and intelligence concerning products/technologies**; **Competition orientation**; **Coordination**

Customer/market dimension: Generation, dissemination, and use of **intelligence concerning customers/markets**; **Competition orientation; Coordination**

			Product	Product platform	Technology	Product	Product platform	Technology	Product	Product platform	Technology	Product	Product platform	Technology
Market-driven		*Exploitation►*	Yes	Yes	Yes		Yes	Yes			Yes			
		Exploration ►				Yes			Yes	Yes		Yes	Yes	Yes
	Exploitation ▼	*Exploration▼*												
identity/cont. info of buyers/customers	Yes		Sell more of your current product to old buyers by reaching them and persuading them with direct marketing and (personal) selling work			Develop such a product variation of your current product/product platform which your old buyers are likely to want, and reach and persuade them with direct marketing, advertising, events, and guerrilla/buzz marketing			Develop such a new product (platform) of your current technology of which you can (easily) make different variations which your old buyers are likely to want, and reach and persuade them with direct marketing, advertising, events, and guerrilla/buzz marketing			Develop a new technology and, based on that, a new product (platform) of which you can (easily) make different variations which your old buyers are likely to want, and reach and persuade them with direct marketing, advertising, events, and guerrilla/buzz marketing		
buyers/customers	Yes													
customer segment (same needs/wants)	Yes													
people/ organizations with certain needs/wants	Yes													
identity/cont. info of buyers/customers		Yes	Sell more of your current product to old buyers by identifying them and reaching and persuading them (see above) or by using a communications channel through which you are likely to reach them with your persuasive messages (e.g. media choice).			Develop such a product variation of your current product/product platform which your old buyers are likely to want, and identify, reach, and persuade them (see above) or use a communications channel through which you are likely to reach them with your persuasive messages (e.g. media choice, events, guerrilla/buzz marketing)			Develop such a new product (platform) of your current technology of which you can (easily) make different variations which your old buyers are likely to want, and identify, reach, and persuade them (see above) or use a communications channel through which you are likely to reach them with your persuasive messages (e.g. media choice, events, guerrilla/buzz marketing)			Develop a new technology and, based on that, a new product (platform) of which you can (easily) make different variations which your old buyers are likely to want, and identify, reach, and persuade them (see above) or use a communications channel through which you are likely to reach them with your persuasive messages (e.g. media choice, events, guerrilla/buzz marketing)		
buyers/customers	Yes													
customer segment (same needs/wants)	Yes													
people/ organizations with certain needs/wants	Yes													
identity/cont. info of buyers/customers		Yes	Sell more of your current product to new buyers by searching for, reaching, and persuading people and organizations (see above) who are likely to have similar needs/wants as your current buyers			Develop such a product variation of your current product/product platform which people and organizations who have somewhat similar needs/wants as your current buyers are likely to want, and identify, reach, and persuade them (see above), catching their attention with the new product			Develop such a new product (platform) of your current technology of which you can (easily) make different variations which people and organizations who have somewhat similar needs/wants as your current buyers are likely to want, and identify, reach, and persuade them (see above), catching their attention with the new products			Develop a new technology and, based on that, a new product (platform) of which you can (easily) make different variations which people and organizations who have somewhat similar needs/wants as your current buyers are likely to want, and identify, reach, and persuade them (see above), catching their attention with the new products		
buyers/customers		Yes												
customer segment (same needs/wants)	Yes													
people/ organizations with certain needs/wants	Yes													
identity/cont. info of buyers/customers		(Yes)	Sell more of your current product to new buyers by coming up with new uses and usage contexts for your product and with ways in which your product can serve the needs/wants of certain people/organizations in their use			Develop such a product variation of your current product/product platform which serves particularly the special needs/wants of certain people/organizations (new customer segment)			Develop such a new product (platform) of your current technology of which you can (easily) make different variations which serve particularly the special needs/wants of certain people/organizations (new customer segments)			Develop a new technology and, based on that, a new product (platform) of which you can (easily) make different variations which serve particularly the special needs/wants of certain people/organizations (new customer segments)		
buyers/customers		Yes												
customer segment (same needs/wants)		Yes												
people/ organizations with certain needs/wants	Yes													
identity/cont. info of buyers/customers		(Yes)	Sell more of your current product to new buyers by creating such needs/wants to people/organizations which your product can satisfy			Develop such a product variation of your current product/product platform, and create needs/wants to certain people/organizations which the product variation can satisfy			Develop such a new product (platform) of your current technology of which you can (easily) make different variations, and create needs/wants to certain people/organizations which the product variations can satisfy			Develop a new technology and, based on that, a new product (platform) of which you can (easily) make different variations, and create needs/wants to certain people/organizations which the product variations can satisfy		
buyers/customers		(Yes)												
customer segment (same needs/wants)		Yes												
people/ organizations with certain needs/wants		Yes												

Selling

Market-driving