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# **Building and Managing Brands in Internationalization of Services**

Department of International Business

Bachelor's thesis

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## **Bachelor's thesis**

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### **Abstract**

The service sector accounts for a large part of gross domestic product (GDP) and enables more sustainable, inclusive and digital growth globally. The importance of brands in growing services has been recognized, but there is a lack of knowledge on how to leverage brands efficiently. Especially due to the intangible nature of services, brands act as signals and evidence of the service, which in turn allows consumers to know what they are buying. In an international context, trust in foreign brands can be weak and failures are possible when entering foreign markets. For this reason, it is important to know how brands can be utilized for internationalization purposes.

The aim of this thesis is to examine how to build and manage a strong brand for services that are internationalizing. Three sub-questions provide insight into this topic: (1) How to internationalize services? (2) What are the building blocks of a service brand? (3) How is service brand development managed? With the help of Berry's (2000) service branding model and Grönroos' (2015) service marketing triangle the principal components of a service brand and the role of the firm, employees and customers in the brand creation process are examined.

Findings show that certain entry mode decisions are closely linked to the characteristics of services and the benefit of brands for services is significant, especially in international contexts. A deeper understanding of the components of a service brand enables the firm to build stronger brand equity which acts as a shield for service failures. Additionally, qualified employees have a large role sharing the service brand promises to customers. All in all, a large part of the brand building process of a service is created through interaction and relationship cultivation.

**Keywords:** services, service branding, internationalization, entry modes, service branding model, service marketing triangle, brand equity

## Kandidaatintutkielma

**Oppiaine:** Kansainvälinen liiketoiminta

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### Tiivistelmä

Palvelusektori koostaa ison osan bruttokansantuotteesta (BKT) ja mahdollistaa entistä kestävämpää, inklusiivisempaa ja digitaalisempaa kasvua globaalisti. Brändien merkitys palveluiden kasvussa on tunnistettu, mutta tietoa siitä, miten brändejä voidaan hyödyntää tehokkaasti, on edelleen rajallisesti. Varsinkin palveluiden aineettoman luonteen takia brändit ovat tärkeitä palveluiden aineellistajia, mikä puolestaan mahdollistaa sen, että kuluttaja ymmärtää mitä on ostamassa. Etenkin kansainvälisessä kontekstissa ja uusilla markkinoilla luottamus ulkomaalaisia brändejä kohtaan voi olla heikko ja epäonnistumiset mahdollisia. Tämän vuoksi on tärkeää tietää, miten brändejä voidaan hyödyntää kansainvälistymistarkoituksessa.

Tutkielman tarkoitus on tarkastella, minkälaista hyötyä kansainvälistyville palveluille voidaan rakentaa brändin avulla ja miten sitä johdetaan. Aihetta tarkastellaan kolmen apukysymyksen avulla: (1) Kuinka palveluita kansainvälistetään? (2) Mitkä ovat palvelubrändin rakennuspalikat? (3) Kuinka palvelubrändin kehittämistä johdetaan? Berryn (2000) palvelubrändäysmallin ja Grönroosin (2015) palvelumarkkinoinnin kolmion avulla tutkielmassa on tarkasteltu palvelubrändin keskeisiä elementtejä sekä yrityksen, työntekijöiden ja asiakkaiden roolia brändin rakennusprosessissa.

Tutkielman tuloksista selvisi, että tietyt kansainvälistymisen muodot ovat yhteydessä palveluiden luonteeseen ja brändien hyöty palveluille on merkittävä. Syvällisempi ymmärrys palvelubrändin rakennuspalikoista mahdollistaa vahvemman brändipääoman rakentamisen, joka toimii suojana epäonnistumisia vastaan. Lisäksi pätevien työntekijöiden rooli on merkittävä palvelubrändin lupausten välittämisessä asiakkaille. Kaiken kaikkiaan suuri osa palvelun brändinrakennusprosessista muodostuu vuorovaikutuksen ja suhteiden kehittämisen kautta.

**Avainsanat:** palvelut, palvelubrändäys, kansainvälistyminen, kansainvälistymistapa, palvelubrändäysmalli, palvelumarkkinoinnin kolmio, brändipääoma

## **TABLE OF CONTENTS**

<b>1</b>	<b>Introduction</b>	<b>7</b>
<b>2</b>	<b>Internationalization of Services</b>	<b>9</b>
	2.1 Defining services	9
	2.2 Entry modes and strategies for internationalization	10
<b>3</b>	<b>Building and Managing a Service Brand</b>	<b>12</b>
	3.1 Foundations of service branding	12
	3.2 Building a service brand	13
	3.3 Managing the service brand development	15
	3.4 The challenges of service branding in international contexts	17
<b>4</b>	<b>Conclusions</b>	<b>20</b>
	<b>References</b>	<b>22</b>
	<b>Appendices</b>	<b>25</b>
	Appendix 1 Explanation of the use of AI	25

## **FIGURES**

Figure 1 The Service Branding Model (adapted from Berry 2000, 130).	13
Figure 2 The Service Marketing Triangle (Adapted from Grönroos 2015, 58).	16

# 1 Introduction

The service sector is the most rapidly growing sector (Prohorovs & Solesvik 2018, 1), and it accounted for over 70 percent of global domestic product (GDP) already in 2010 (Wirtz et al. 2015, 565). Especially knowledge-based services and the digitalization of business models have enabled rapid growth of the service sector in developed countries (Maqnas & Shaheen 2025, 1). About 78 percent of American jobs are in the service sector and Asia is following the USA towards a service driven economy (Wirtz et al. 2015, 566). This worldwide trend is also visible in Europe where the share of service exports in total exports increased from 24 percent to 27.4 percent in the period of 2005–2016 (Prohorovs & Solesvik 2018, 1–12). Furthermore, the service sector supports other sectors like agricultural and manufacturing industries by providing finance, logistics and information technology (IT) assistance, leading to fostering overall economic gains (Maqnas & Shaheen 2025, 1).

Hence, international exchange of services is gaining more significance, as it is a key driver for economic development because it contributes significantly to GDP and employment. Additionally, it supports a more sustainable, inclusive and digital global economy. (OECD Services Trade Restrictiveness Index 2026.) Moreover, services are the driver of international competitiveness. Modern customers are very sceptical but have rather sophisticated needs and wishes. This forces companies to develop and shape new services in order to meet customers' raised expectations. (Gajić & Kordić 2015, 160.) Research shows that with higher effort in service growth, countries experienced higher overall economic growth (Prohorovs & Solesvik 2018, 2–3).

However, the exchange of services in the international context has only been studied separately from the exchange of goods over the last few decades (Gajić & Kordić 2015, 147). Additionally, a large amount of research has been done to guide marketers of physically tangible products in their branding efforts, but compared to products, there is not as much research into the area of services branding (Davis 2007, 7). Even though the global economy is increasingly service-driven and service brands are progressively controlling the economy, there still is insufficient amount of knowledge about how firms can leverage and grow their service brands and whether growing them requires strategies that somehow differ from the strategies that are based on goods branding research (Huang & Dev 2020, 281).

Brands act as risk reduction, particularly in the case where information about the purchase situation is beneath perfect (Kapferer 1992). Due to the inherently intangible nature, services purchases can

be more challenging to select and evaluate. Thus, branding and image creation for customers can be vital to the lasting success of services. (Davis 2007, 10.) Moreover, when competing globally, brand creation can be “a driving force behind an organization’s existence and a foundation for differentiation advantage in the worldwide markets” (Ranjan 2024, 578).

Therefore, this thesis aims to find an answer to how to build and manage a strong brand for services that are internationalizing. To help answer this question the thesis is divided into three sub-questions:

- How to internationalize services?
- What are the building blocks of a service brand?
- How is service brand development managed?

The structure of the thesis is as follows: In chapter 2, the different modes and strategies for internationalization of services are discussed. Also, a definition of services is included. Chapter 3 is divided into three sub-chapters where the topic of service branding is discussed. First, the definition and foundations for services branding are introduced. Berry’s (2000) service branding model is used for determining the principal components of a service brand. Second, the service marketing triangle by Grönroos (2015) is demonstrated and discussed alongside with the interactive and relationship approach for service branding. Lastly, challenges arising from service branding in international context are considered. In the end, the conclusion offers a summary of the whole thesis.

## 2 Internationalization of Services

### 2.1 Defining services

In simple terms, services are “deeds, processes, and performances provided, co-produced, or co-created by one entity or person for and/or with another entity or person.” Service industries and companies are those that are typically categorized within the service sector where the core product is a service. Service as a product consists of intangible product offerings that are aiming to bring value for customers, so they pay for it. (Zeithaml et al. 2024, 4.) Overall, the service sector is very diverse. It covers industries like banking, communications, professional services such as engineering, IT, medicine and healthcare, wholesale, retail trade, education, all consumer services, and all government services (Gayen 2023, 338). Thus, any service definition and conception is nearly always problematic and finding an ideal definition that corresponds to the long list of characteristics is very difficult (Lehtinen & Järvinen 2015, 169).

What combines all services in more or less generic way are the next three characteristics: (1) service is a process that consists of series of activities, (2) to at least some extent services are produced and consumed simultaneously, and (3) to at least some extent the customer participates as a co-producer in the service production process. (Grönroos 2015, 50.) Lehtinen and Järvinen (2015, 170) choose to connect similar characteristics with services: abstract nature or intangibility, process nature, the simultaneousness of production, marketing and consumption, known as “inseparability”, and lastly the interactive nature. The process nature of services means that services consist of series of activities where multiple different resources are used in order to create value for the customer. Inseparability, on the other hand, means that the service is produced and consumed at the same time. This can happen when the customer experiences or receives the service simultaneously to it being in the production process, for example a haircut made by a hairstylist. (Grönroos 2015, 50.) Taylor et al. (2021, 517) note that although the inseparability of a service is recognized to be a distinct characteristic, services can be “separated from their original production and embodied in a tangible format”. Lastly, there is the interactive nature of services, meaning that the customer is not only the receiver of the service but also participates in the service process as a production resource. This can lead to the customer co-creating value with the firm when interacting with other company resources like goods, information, systems and infrastructure. Grönroos (2015, 50) adds that in much of the service literature the intangible nature is said to be the most important characteristic of services.

## 2.2 Entry modes and strategies for internationalization

Firms operate in international markets and the ways of doing so can be divided into three main categories: foreign direct investment (FDI) which includes both joint ventures and wholly owned subsidiaries, exports, and foreign presence through third parties such as franchising and licensing. Foreign direct investments are common in the service sector due to the importance of face-to-face contact between the providers and clients. When exporting services, the service can be delivered in the material form, usually through travelling persons or via internet. Exports can be done without expansion to a specific country when the expertise is needed only temporarily. Exports enable firms to operate in multiple countries and use the same expertise with slight modifications. Lastly, international operations through third parties like franchising and licensing are used when there is a need for better service quality control than in exports but fewer resources to be used than in foreign direct investment options. Neither franchising nor licensing are popular in services. Operating through third parties can also include other partner arrangements such as a common brand, a common acquisition of clients, common subcontracting, strategic alliances or common R&D (research and development) and training. (Bao et al. 2012, 87–88.)

Several factors influence the choice of entry mode. Menzies and Orr (2013, 299–308) recognized that there are four types of aspects affecting the internationalization choice for services. They conclude that *resource commitments*, *international experience*, *type of service*, and *capital intensity* of the service firm have an impact on the decision making. Bao et al. (2012, 88) support the idea that the right and purposeful model for internationalization depends on the company's resources, skills and the nature of the service. If consumption of the service can take place in different place or even time from production, exports via internet and operations through third parties are possibilities for these types of services. For these "hard" services, that can separate the production from consumption, entry mode choice could actually be any desired mode (Menzies & Orr 2013, 299–308). However, if consumption and production of the service cannot be separated, the provider of the service must be present in the delivery process. Foreign direct investment, export projects and travelling to the client enable this (Bao et al. 2012, 88). For these "soft" services any other mode of entry is possible other than exporting due to inseparability. Additionally, international experience, developed knowledge, available resources, institutional effects, and capital investments were found to be crucial for soft services during internationalization. On the contrary, with hard services, the need for international experience, developed knowledge, and available resources was smaller. Institutional effects were not found to be important and the need for capital investment was also lower for hard services. (Menzies & Orr 2013, 299–308.)

Because services often require close collaboration between the customer and the company, and international experience is important, cultural distance is considered a critical factor in the strategic market entry decision since cultural similarity enables companies to transfer their operational knowledge to the new market and expand more quickly (Taylor et al. 2021, 518–525). A case study by Ooi and Richardson (2019) discovered that the main challenges in internationalization of services were low language proficiency, cultural differences, operational matters, country-of-origin perceptions and low demand in certain markets. They argued that qualified staff members, customisation, localisation, branding, cost efficiency, innovation, and visionary leadership are the capabilities that form competitive advantage for service companies abroad.

Moreover, a traditional argument has been that services internationalize because they are following their clients that operate in foreign markets. However, *following clients* is not the only path even though it is very common. If the company does not have much experience or skills to operate abroad other alternative for internationalization is to take *an individual path* where the service firm advances gradually from less risky decisions towards more demanding ones as it takes time to build experience, credibility and trustworthiness. (Bao et al. 2012, 88.) However, following clients may “neutralize” the cultural distance because there is existing communication in the foreign market that occurs through the established collaborators. This enables the company to focus its resources more on operational issues and gradually become more familiar with the foreign market environment. (Taylor et al. 2021, 519.)

Yet, it is not uncommon for companies to skip some stages of the process or to execute them in a different order. Some companies start internationalization very rapidly and do not use any gradual process for entering foreign markets. Researchers have found a specific group among companies that internationalize quickly. These “born globals” include international operations in their business models right from the beginning. Moreover, the entrepreneurs typically have acquired international experience before the establishment of the company and possess deep knowledge of international markets. (Bao et al. 2012, 88.) Born global firms are considered to enter foreign markets regardless of cultural distance and differences. The aim of born globals is rather in selecting opportunities to lead the market and establish a presence within strategic locations. (Taylor et al. 2021, 518.)

### 3 Building and Managing a Service Brand

#### 3.1 Foundations of service branding

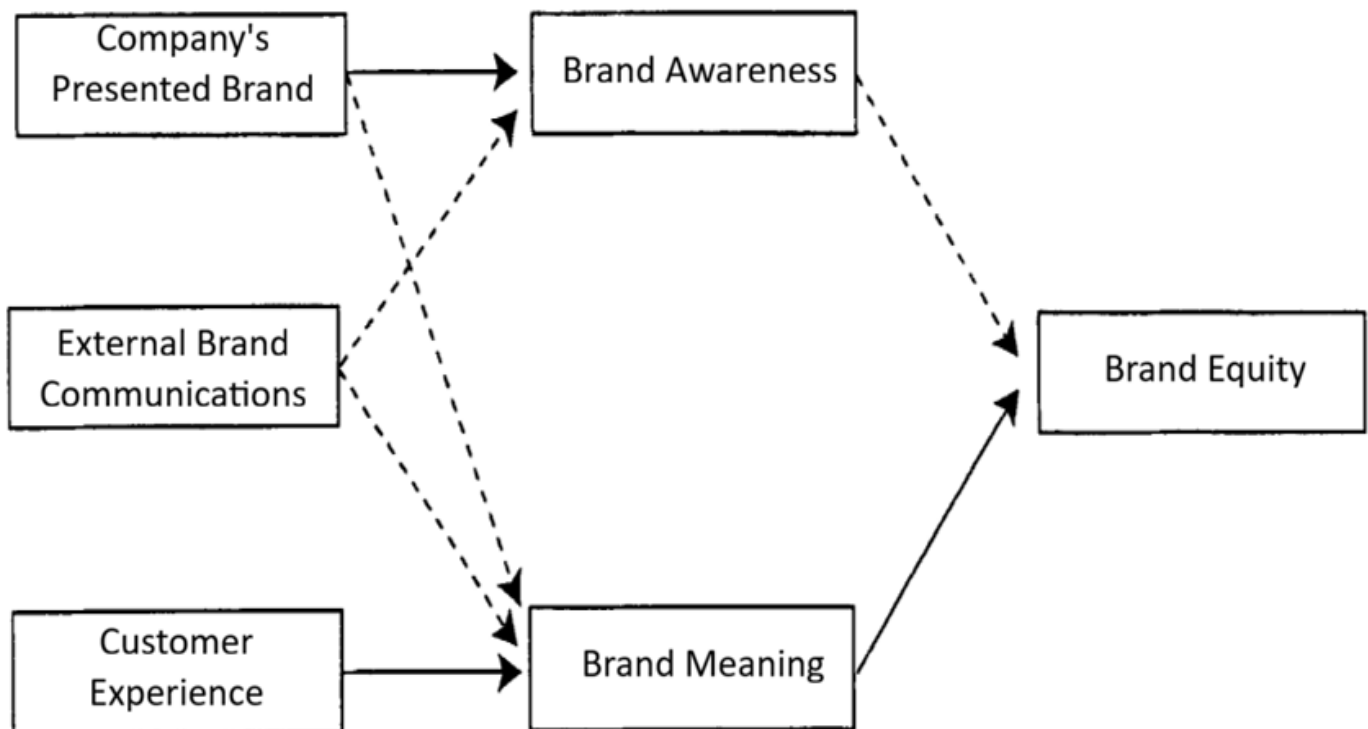
The American Marketing Association (AMA) has defined a brand as “a name, term, sign, symbol or any other feature that identifies a seller’s product or service as distinct from those of other sellers”. According to Grönroos (2015) the definition works for physical products but from service perspective it lacks two things. Firstly, the definition does not address the fundamental characteristic of service, which is that service is a process, meaning that it consists of a series of activities. Secondly, the definition excludes the role of customers (Grönroos 2015), who are important co-creators of the brand (Kay 2006, 748). A direct interaction between the customer and the firm forms “a co-creation platform” that enables the firm to co-create value with its customers (Grönroos 2015). Kay (2006, 743) continues to explain brands as logical structures that are similar to metaphors, allegories or other representations. They usually offer the reason why services have meaning for customers because the function of a brand is to ultimately create meaning. More importantly, branding is a competitive strategy to differentiate products, services and companies to build economic value for the brand owners and consumers (Tsiotsou & Ratten, 2006, 536).

In addition, one big difference between product branding and service branding is that within the service sector the company name usually becomes the brand name, because consumers often view the whole company as the provider of the service (Berry, 2000). Consumers might also mentally group all the company’s services together and expect uniformity from them (De Chernatony & Segal-Horn 2003, 1098). However, a brand is not just a name but involves all the associations that a customer might hold according to similar product- and non-product-related attributes (Krystallis & Chrysochou 2014, 140). Furthermore, company names rarely provide the wanted solution to communicating an effective message about the brand (Kay 2006, 744). A strong service brand is a mix of what the company says, what others say and how the company performs from the customer’s point of view. It promises future satisfaction to the customer. (Berry 2000.)

From the marketer’s perspective brands are often viewed as something that the firm creates and manages. Moreover, the goal for the marketer is to create a specific image in customers that corresponds with the intended brand. Planned marketing communication, such as advertising, is normal for physical goods since the good already exists and the brand is usually in the form of the good itself. Hence, it is easier to brand. However, when it comes to branding services, the situation changes and the importance and involvement of the customer expand. (Grönroos 2015.)

### 3.2 Building a service brand

Berry's (2000, 128–137) *service branding model* can be used to analyse service brands (see Figure 1). It showcases the principal components of a service brand, which are *the presented brand, brand awareness, external brand communication, brand meaning, customer experience, and brand equity*. Overall, it explains the relationship between service brand components and a company's performance. Berry suggested that building strong service brand equity is not only about effective brand communication but is also created through customer experience. Hence, understanding the key components of a service brand helps to build strong brand equity and as a result a strong service brand. (See also Bao et al. 2012, 89–90; Krystallis & Chrysochou 2014, 140.)



**Figure 1 The Service Branding Model (adapted from Berry 2000, 130).**

The company's *presented brand* is the controlled communication efforts of the firm's identity and purpose. The company conceptualizes and disseminates this brand message through its advertising, service facilities, and the appearance of service providers. This contributes directly to *brand awareness*, which means the customer's ability to recognize and recall the brand when given a cue. *External brand communication*, on the other hand, is the information that customers absorb about

the service and the company. Thus, it essentially is uncontrolled by the company. External brand communication can be, for example, in the form of good or bad publicity or word-of-mouth communication which are common with services due to their intangible nature. Customers often rely on word-of-mouth activity when they are eager for unbiased and experience-based information. Therefore, the purpose of presented brand communication is to strengthen the company's brand and in a way build shield for negative effects of external brand communications. (Berry 2000, 129–130.)

*Brand meaning* refers to the dominant perception of the brand that the customer has. It means the things that immediately come to the customers' minds when mentioning the company. Brand meaning differs from brand awareness to the way that two companies can be well known and well recognized, but they have a different image. Both the presented brand and the external brand communications affect the brand meaning, but even more influence has the actual *experience* of the service that customers have had. To these customers that have experienced the service, experience-based beliefs are powerful. Thus, the presented brand cannot rescue a weak service. To new customers, the presented brand and external communications are the only evidence of what the company stands for since they have had little to no direct experience with the service and cannot therefore form their own impressions. If customers' experiences differ from the advertising message, customers will rather believe their own experiences. (Berry, 2000, 129–130.)

*Brand equity* can be positive or negative and is the differential effect of brand awareness and brand meaning combined on customer response to the marketing of the brand. Positive brand equity means the marketing advantage a brand can hold and negative brand equity the marketing disadvantage that it can have linked to a specific brand. (Berry, 2000, 129–130.) To clarify, brand equity is the value that a brand name can add to a service. Therefore, brand equity is a meaningful component from financial, strategic and consumer behavioral perspectives (Davis, 2007, 8).

The bold lines in figure 1 indicate primary impact, and the dotted ones indicate secondary impact. Like said, the presented brand has a straight and primary effect on brand awareness, and customer experience has a straight effect on brand meaning. The company's presented brand affects also brand meaning, but it has less of an impact. External brand communications affect both brand awareness and brand meaning, but the effect is smaller, hence dotted lines. However, in extreme instances, the dotted lines can turn to bold. These instances can be due to word-of-mouth information or large publicity that intensifies the impact (Berry, 2000, 130). Thus, it is important to consider both the controlled and uncontrolled communication of the brand (Bao et al., 2012, 90).

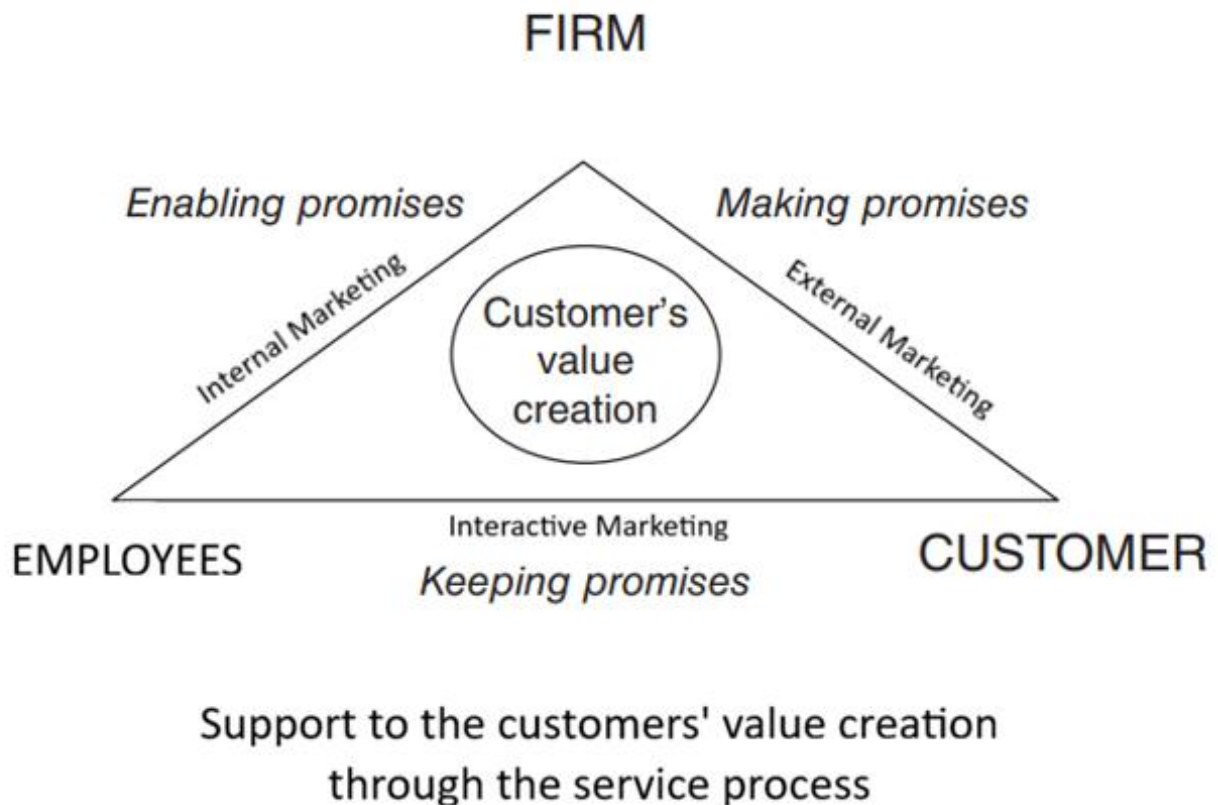
Lastly, brand meaning has a bigger impact on brand equity than brand awareness. All in all, the model implies that strong brand equity enables the possibility to increase customers' trust in intangible products, reduce the perceived risk and help the customer to understand what they are buying (Bao et al., 2012, 90).

### 3.3 Managing the service brand development

As strong brands are developed by a co-creation process that involves multiple stakeholders like brand customers and brand managers, creating a successful brand involves more than merely the production and delivery of that service (Skaalsvik & Olsen 2014, 1213). Thus, the relevance of interactive and relationship approach to branding process is important which is recognized among many researchers (e.g. Vargo & Lusch 2004; Klaus & Maklan 2007; Grönroos 2007). Likewise, particularly human factors and human performance are emphasized in the service branding model (Bao et al. 2012, 89). Thus, the customers and the marketing department of the firm are not the only ones to determine the service brand's personality and positioning. The customer-facing staff also plays an important role in creating brand perceptions (Bitner et al. 1994).

Researchers have extended Berry's (2000) service branding model and provided further insight about the role of service brands as 'relational assets' that create financial value for companies. The research led to the three promises (or the service marketing triangle) framework (see Figure 2) that was first developed by Calonius (1986) and later cultivated by Bitner (1995) and Grönroos (1996). The framework distinguishes three marketing processes that are making promises (external marketing), enabling promises (internal marketing) and keeping promises (interactive marketing). The framework has shown that brands in service relationships have an important role in facilitating, mediating and realizing value in these promise-related marketing processes (Brodie et al. 2006, 368–372.)

Figure 2 shows that the external marketing happens between the organization and customers, internal marketing happens between the organization and people who work in the organization (employees), and the interactive marketing happens between the people who work in the organization and customers. In the middle of the triangle is customer's value creation. Customers' willingness to buy services and the satisfaction that comes with it are results of how well the service supports their value creation (Grönroos 2015). If the brand promises are kept, it creates satisfaction, quality perception and brand loyalty (Brodie et al. 2006, 370). All three promises must align to create value. The responsibility is divided between the firm, employees and customers as shown in figure 2.



**Figure 2 The Service Marketing Triangle (Adapted from Grönroos 2015, 58).**

The service marketing triangle demonstrates how service brands are used in enabling and supporting promises that the service offers (Brodie et al. 2006, 369). It is all fundamentally about communication which again is important due to the intangibility of services. Efficient organization systems therefore become part of the branding process (Bao et al. 2012, 89) even though companies' control seems to diminish considering the broad spectrum of relevant interactions that cannot be influenced directly by the company (Schlager et al. 2011, 497).

The presented brand of the company is one of the ways a company can control their marketing, and it can reach customers before they get to experience the service. Therefore, it is possible to influence the customers with advertising to affect their first impressions of the service brand. Companies often use these classical ways of marketing when raising customer expectations of the service (De Chernatony & Segal-Horn 2003, 1098). However, it is important to pay attention to the fact that the experience weighs more in customers' minds.

The contact between the customer and the employee is usually a major part of the service experience and employees are the people who have the ability to fulfil brand promises to customers (Skaalsvik & Olsen 2014, 1213). Thus, it is crucial to share the company values with employees with internal marketing (Bao et al. 2012, 89–90). Services are just as intangible to employees as they are to customers (Berry 2000, 135).

De Chernatony and Segal-Horn (2003, 1099) also point out the need to pay attention to a coherent communication strategy internally and externally because there are so many contact points between services brands and stakeholders. They say that part of the reason some services brands fail is that the staff do not communicate consistent messages about their company's brand as they are in contact with stakeholders. In consequence, services brands die because of staff, not because of consumers. Recruiting, training, induction and motivation of employees is the key to ensure that they operate in line with the company's values. (De Chernatony et al. 2003, 6–17.) If employees understand the unique attributes of their brand, it makes them more competent and able to support it (De Chernatony & Segal-Horn 2003, 1105). The employees' commitment and trust in the company's brand influences how customers perceive the quality of the brand (Bitner et al. 1994) and that, in turn, influences brand awareness and contributes to brand equity (Azzahra et al. 2023, 14).

It is also important to point out that consistency is a crucial determinant for quality of services and is reliant on all employees acting the same way (De Chernatony & Segal-Horn 2003, 1100). Huang and Dev (2020, 295) specify that both positive and negative changes in quality and interactions decrease brand preference in customers. Once customers have established a relationship with a service brand, frequent quality changes should be avoided, since they may signal inconsistent or unreliable quality. Even if it is about improving quality, positive changes should be made at a slow pace or in a subtle way to avoid such negative perceptions of quality fluctuations.

### **3.4 The challenges of service branding in international contexts**

Interpretation of high quality can change according to different markets and consumers might favour local brands as they are seen more in line with local quality needs (Steenkamp et al. 2003, 56). Offering a highly standardized service may not even work internationally since services essentially involve some part of human element and therefore tend to have some variation in performance (Javalgi & Steven White 2002, 572). On the other hand, taking individual customer needs and requirements into account, services can be modified to fit different customer bases.

Medina and Duffy (1998, 234) state that brand customization is an extreme version of brand adaptation and can involve discretionary changes that are made to please the foreign market.

There is a visible trend showing that global competition will drive up service standards and consequently companies must consider keeping up by using new data sources to offer personalization to their services (Gajić & Kordić 2015, 160). Accordingly, Huang and Dev (2020, 294–296) confirm that quality, personalization, and relationship are the three key drivers for growing service brands. However, they found out that relationship-based personalization is more critical for growing service brands than quality-based personalization that was more important for goods brands. They emphasize using relationship-based service personalization to maintain consistency in service quality and to improve it gradually. The relationship-based personalization strategy focuses on the positive interactional effect of the relationship and the personalization drivers that make the service unique and grow the emotional connection between the brand and the customer.

Bao, Toivonen and Mikkola (2012, 88) note that “a challenge emerges from the fact that local culture often remains unfamiliar to the service company”. To be able to create and deliver more personalized services to individuals, the relationship between the company and the customers needs to adapt and become deeper. Learning about the customer’s needs and requirements from on-going interactions (Huang & Dev 2020, 294) and the accumulation of international experience (Bao et al. 2012, 88) takes time.

Entering global or foreign brands may be viewed as a threat to national economic prosperity and culture by locals (Steenkamp et al. 2003, 56). Hence, companies might first start their international activities carefully and small-scale in countries where the “psychic distance” is small and the market resembles the domestic one as regards the industrial structure, business habits, culture and more to avoid service failures (Bao et al. 2012, 88). As entering a new market, a company might need to change its brand promises to fit the environment and to stay competitive (Aaker 1996). Launching new brands or rebranding existing brands is possible when there are challenges with crowded marketplace (Gajić & Kordić 2015, 147) but that can affect the perceived consistency. Thus, fostering positive brand equity becomes important as it can provide a system that lessens the impact of poor or unsuccessful service attempts and help recovering from one-time service failures (Davis 2007, 11–12). Huang (2011, 514) confirmed that service firms can enhance the service recovery effects with brand building strategies and a strong brand equity provides advantage over weaker brands. As expanding abroad brings new challenges for service firms, failures in service

processes are not uncommon. Developing a service recovery system and adapting it to the local environment can be a competitive advantage and an important component of managing internationalization and its challenges. (Mir et al., 2023.)

## 4 Conclusions

The aim of the thesis was to answer how to build and manage a strong brand for services that are internationalizing and what is the role that branding has in entering foreign markets. To examine this topic, it was divided into three sub-questions. These three questions were:

- How to internationalize services?
- What are the building blocks of a service brand?
- How is service brand development managed?

The first sub-question was about what the options are to internationalize services. This question was answered in the second chapter which explained services as a concept and presented the different modes of internationalization. Different categories for internationalization were foreign direct investment, exporting and operating through third parties. Four elements were found to be relevant when choosing the entry mode and they were resource commitments, international experience, type of service (hard or soft), and capital intensity. Especially, the type of service was crucial determinant for selecting an entry mode because it affected how the service was provided and if employees should be present or not in the service consumption process.

Also, main challenges in internationalization were found to be mainly based on cultural and operational differences. They were important to consider when choosing the country where to entry. The role of qualified staff and branding was mentioned in the capabilities that can form competitive advantage for service companies abroad. That ties the next two sub-questions to the theme of entry mode and what are the things to consider when choosing the right location for specific kind of service.

The second sub-question was about what the building blocks for services brands are. This was answered with demonstrating the principal components of service brands with the service branding model by Berry (2000). It helped to understand what the key elements are and where to influence if wanted to build stronger brand equity. Affecting the creation of brand meaning mainly with customer experience elements is a clear way to help boost positive brand equity.

Additionally, the third sub-question was answered with the help of the service marketing triangle framework by Grönroos (2015). It introduced how service brands are cultivated and managed through internal, external and interactive marketing. It demonstrated how aligned values and

keeping brand promises were important for the success of a service brand. Especially, the role of employees was magnified in the brand creation process and building brand equity. It was pointed out that services may be just as intangible and hard to understand to employees as they are to customers. That is why communication and the three promises framework are essential to implement into business management. Overall, cultivating relationships was found critical for brand building and for personalization as a competitive advantage. Both frameworks from Berry and Grönroos highlighted the importance of the interaction between customers and qualified employees.

In international context, branding can to some extent function as a shield for failures that may occur when entering foreign markets, especially when cultural distance is large. Particularly, building positive brand equity was found to help with service recovery. Companies often favor starting their expansion from countries where the culture and business habits are relatively similar to home country as the processes fit immediately and the internationalization process can happen more quickly.

Since service firm internationalization can be extremely varied and therefore hard to analyze (Taylor et al. 2021, 517), research regarding specific services brands and their entry mode success would be helpful because it would bring more detailed information about internationalization strategies and their connection to branding efforts. Also market specific dynamics should be considered more in future research as they affect the positioning of the brand. Deeper understanding about cultural factors and branding connected to internationalization should be further researched from the home country's perspective rather than the host country's so that brand managers and strategists could gain information about the most efficient ways to succeed abroad.

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## Appendices

### Appendix 1 Explanation of the use of AI

In this thesis, generative artificial intelligence was used for checking grammar mistakes, translation from Finnish to English, providing clearer structure and finding literature. All the checked texts were written by me and did not include copyrighted material. Used tools and their purpose are detailed below.

1. ChatGPT

Example prompt (6<sup>th</sup> April 2026, 10<sup>th</sup> May 2026): *Arrange sources alphabetically*

Example prompt (1<sup>st</sup> April 2026): *What would be a good heading for a chapter that introduces services brands?*

Example prompt (27<sup>th</sup> April 2026): *How would you fix this chapter's structure?*

Example prompt (10<sup>th</sup> May 2026): *Translate this in English: \*abstract\**

2. Volter (for providing related academic literature)

Example prompt: *What entry modes services have?*

Example prompt: *How branding affects international service exports?*

Nothing that AI suggested was used directly but was independently and carefully evaluated and modified by me.