

Unlocking brand equity through brand image, service quality, and customer value

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Abstract

Building brand equity in customers is essential to create long-term relationships with customers. With high brand equity, the company maintains loyal customers because consumers believe in its quality or service. This study aims to determine how brand image, satisfaction with service quality, and customer value affect brand loyalty and equity. This research is a quantitative study which collected 215 samples with purposive sampling method. The analysis technique uses Structural Equation Modeling. The results show a brand image, service quality, and customer value are positively affect brand loyalty. The loyal customer attitude influence long-term brand equity. This finding offers a theoretical and practical contribution to developing a marketing management strategy about unlocking brand equity through a strong brand image, service quality, and customer value in the banking sector.

Keywords: brand equity; brand image; brand loyalty; customer value; service quality.

Received: May 4, 2020; Accepted: July 24, 2020; Published: April 27, 2021

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To cite this document:

Dewi, R., & Handriana, T. (2021). Unlocking brand equity through brand image, service quality, and customer value. *BISMA (Bisnis dan Manajemen)*, 13(2), 94-107. <https://doi.org/10.26740/bisma.v13n2.p94-107>.

INTRODUCTION

The economic and social environment changes enforce fierce competition in the banking industry and brings the consequences of banks' evolution of services (Altaf & Mahadin, 2019; Akbar et al., 2019). Amid a fierce banking sector competition, PT Bank Central Asia Tbk (BCA) managed to grow from \$ 13.437 billion in 2019 to \$ 14.917 billion in 2020, or increase about eleven percent, along with the nine banks from China, the United States, India, and Canada. BCA management is committed to always providing service excellence for customers by serving 22 million customer accounts, processes millions of transactions every day supported by 1,252 branch offices, 17,607 ATMs, and BCA mobile and Klik BCA, which can be accessed anywhere and anytime (Kafe BCA, 2020).

Bank in Indonesia carries out its functions based on economic democracy and prudential principles (Asnawi et al., 2019). Its function is collecting and channelling public funds for supporting economic growth and national stability towards improving people's living standards (Otoritas Jasa Keuangan, 2004). The bank has experienced developments by providing various financial services (Rambocas & Arjoon, 2019).

The state and private banks in Indonesia are competing to offer an advantage by providing complete facilities to attract customers (Foroudi et al., 2019). Hence, banks must pay attention to customers' needs and desires to create conditions of mutual need that form a customer's commitment (Monferrer et al., 2019). On the other side, the customer's trust factor in the bank is also essential (Saleh et al., 2017). A positive image of the bank forms customer trust (Bapat, 2017). It takes effort to pursue and maintain while innovate, create new products, increase product quality, and maintain competitive production costs.

Previous research conducted by Hapsari et al. (2017), Razzaq et al. (2019), Chakraborty (2019), Kataria & Saini (2019), and Liu et al. (2018) stated service quality, customer value, customer satisfaction, and brand image as antecedents of customer loyalty, and these constructs have this reciprocal relationship in various service industries. By having a brand image, a good customer trust in banks will be formed (Liu et al., 2018; Kim & Lee, 2020; Hoang, 2019; Saleh et al., 2017), and this becomes long-term factor influence customer to not switch to another bank (Hapsari et al., 2017). Trust in banks is formed because of the ability and expertise in providing services to banks (Akroush & Mahadin, 2019; Hoang, 2019).

Customer satisfaction has a close relationship with loyalty (Hamouda, 2019; Espinosa et al., 2018; Saleh et al., 2017). Good quality service is one of the keys to win the business competition (Hapsari et al., 2017; Hoang, 2019). This quality is achieved by exceeding customers' expectations, providing products and services at an acceptable price level, creating value for customers, and generating profits for the company (Saleh et al., 2017).

Service quality must meet customers' expectations so that the benefits provided by customers to the company can exceed the target set plan (Altaf et al., 2017). Customer satisfaction is significantly related to the perceived quality (Kataria & Saini, 2019; Kamath & Prabhu, 2019; Akroush & Mahadin, 2019; Hamaouda, 2019). Meanwhile, customer satisfaction yields from the perceived performance and expected performance gap (Kotler & Keller, 2016). If the customer's performance does not meet customer expectations, it will lead to customer loss in the company (Saleh et al., 2017). Moreover, service quality enhances customer satisfaction and loyalty to the bank (Mohsin & Aftab, 2013; Bapat, 2017).

Brand equity must get serious attention from the company because a strong and high-value brand gives both rational counts and consumer emotions (Liu, 2018). A brand can have high value because it carries out the brand-building activity, communication Saleh et al. (2017), and other efforts to strengthen the brand (Kataria & Saini, 2019). The brand is a long-term wealth in a company and built as brand equity (Rambocas & Arjoon, 2019; Rubio et al., 2019). The critical role of building and maintaining brand images provides quality services and brand value in building brand loyalty ultimately forming brand equity (Boateng et al., 2019; Pérez et al., 2019).

Bank Central Asia (BCA) has contributed to national banking industry development (BCA, 2020). BCA plays an active role as a leading transactional bank and has a stake in growing and driving business and Indonesia's economy. BCA strives to improve competitive

advantage in the banking industry continuously by providing quality services to provide satisfaction. Therefore, it can foster positive brand image and information so that customers will trust and loyal to the banks (Hamouda, 2019; Kartika et al., 2019; Pan & Ha, 2019). BCA has main financial services, such as savings and deposits. In providing excellent service quality to customers, BCA imposes several administrative costs each month according to deposit type.

Nevertheless, BCA must maintain brand loyalty because loyalty is an essential concept in intense competition conditions with limited growth (Kataria & Saini, 2019; Liu et al., 2018). Therefore, choosing BCA as an object of research compared to other banks is because of BCA positive image as The Most Efficient Bank, The Most Valuable Bank, and The Best Performance Bank by Infobank Awards 2019 (Putra, 2020).

Therefore, this study aims to identify the influence of a brand image, service quality, and customer value on brand equity. If previous research has examined a lot about the influence of customer trust and service quality on bank image in the banking sector, this research aims to analyze further the influence of brand image and service quality on brand equity.

Brand Image

Brand image is a rational and emotional perception of a particular brand (Razzaq et al., 2019). It is derived from consumer confidence in the brand both functionally and symbolically. A good brand image must pay attention to the product's unique characteristics (Espinosa et al., 2018).

Indicators of a brand image are friendly/unfriendly (easily recognized brand by consumers), modern or outdated (has a contemporary model, not outdated), useful/not (perceived benefits), popular/unpopular (familiarity to the consumer's mind), gentle/harsh (the texture of the product is smooth or not rough), and artificial/natural (the authenticity of supporting product/service components) (Alić et al., 2020; Chang, 2020; Flores-Hernández et al., 2020; Guci et al., 2020). A high-quality brand will give satisfaction to consumers so that the brand will be memorable (Chakraborty, 2019; Rubio et al., 2019). With consumers fulfilled their expectations of the product or service brand, the consumer will keep that memory in their mind and provide references to potential customers by giving positive information (Monferrer et al., 2019; Pan & Ha, 2019; Rubio et al., 2019). Brand image touches consumers' psychological to overcome marketing problems aspects because it is difficult to emulate by competitors (Espinosa et al., 2018).

Brand image acts as necessary for consumers to distinguish a brand from its rivals when it is difficult to compare brands using quality features (Hoang, 2019; Rubio et al., 2019). Brand image is important because a positive perception is formed with all its attributes (Rambocas & Arjoon, 2019). Therefore, we hypothesize:

H1: Brand image has a positive effect on brand loyalty.

Service Quality

Service quality measures the services expected by consumers and the services received (Streukens & Leroi-Werelds, 2016). Quality is a dynamic condition that affects products, services, processes, people, and the environment that meets or exceed expectations, so that service quality is defined as an effort to meet consumer needs and desires and the accuracy of their delivery in balancing consumer expectations (Altuntas & Kansu, 2019; Lee et al., 2019).

Service quality perceived by consumers will affect their satisfaction (Altaf et al., 2017). If the quality received is following customer expectations, then consumers will have a positive experience which will form their brand loyalty. There are five dimensions of service quality such as tangibility, reliability, responsiveness, assurance, and empathy (Magshoodi et al., 2019). Service quality that provides a satisfying experience for customers will make customers loyal and committed to the company (Espinosa et al., 2017; Monferrer et al., 2019). Consumer satisfaction with good service will become a positive experience (Kamath & Prabhu, 2019). Consumer satisfaction positively affects word of mouth and the customer loyalty (Mukerjee, 2020). Therefore, we hypothesize:

H2: Service quality has a positive effect on brand loyalty.

Customer Value

Customer value is not only gives satisfaction to customers but also provides happiness beyond customer expectations (Kotler & Keller, 2016). Customer value has a close relationship with the consequences of receiving benefits or sacrifices, where the consequences are the impact felt by individuals or groups as a result of the consumption of goods or services as opposed to the provision of the goods (Foroudi et al., 2019; Streukens & Leroi-Werelds, 2016). Customer value is the result of the customer benefits: economic, social, and relational to the customer sacrifices (price, time, effort, risk, and comfort) (Rubio et al., 2019).

Customer value dimension consists of functional, emotional, and social value (Anouze & Alamro, 2019). A functional value is the customer's perceived usefulness from the product or service attributes in terms of product or service installation, personnel, and service quality (Jamshidi et al., 2018). Meanwhile, emotional value is a feeling or affective state created through consumption experience, and social value is the acceptance of utilities at the individual level with the social environment (Maharani et al., 2020). The embedded value resulting from the customer's positive functional, emotional and social value will make the customer loyal. The emotional component is crucial and should be included along with other components (Razzaq et al., 2019). Hence, we hypothesize:

H3: Customer value has a positive effect on brand loyalty.

Brand Loyalty

Loyalty refers to the form of decision-making behavior to make a continuous purchase of goods or services from a selected company (Boateng et al., 2020; Loureiro, 2013). Brand loyalty is the extent to which customers show a positive attitude towards a brand commitment to a particular brand (Mowen & Minor, 2010; Rambocas & Arjoon, 2019). Loyal customers might repurchase because of the their positive feelings toward a brand (Boateng et al., 2020; Parihar & Dawra, 2020). Customer loyalty will bring positive information to the closest people, friends, family, and even the customer community (Jalilvand, 2017). Therefore, this study proposes a hypothesis:

H4: Brand loyalty has a positive effect on brand equity.

Brand Equity

Brand equity is a set of assets and liabilities associated with a brand, name, and symbol that can make or reduce the value provided by a product or service (Altaf et al., 2017; Arora &

Neha, 2016; Jamshidi et al., 2018). Brand equity includes how the brand will provide value to the company by making an effective strategy in creating a memorable brand identity and has strong attributes that inherent in the community (Parihar & Dawra, 2020; Saleh et al., 2017). Brand equity helps consumers in processing, interpreting, and storing information about a product or service that can affect consumer confidence in purchasing decisions. It also related to customer familiarity toward the brand and its attributes (Altaf et al., 2017; Kataria & Saini, 2019; Kim & Lee, 2020). Brand equity gives the impression of quality and brand association that can increase consumer satisfaction in using products or services from consumers loyalty (Asnawi et al., 2019; Espinosa et al., 2018; Saleh et al., 2017). Brand equity has two perspectives: the consumers' perspective and the company's perspective (Altaf et al., 2017).

METHODS

The approach used is quantitative research with confirmatory factors analysis by building a Structural Equation Modeling (SEM) (Hair et al., 2014). The population in this study is BCA customers in the Surabaya. This research was conducted on December 2019 to February 2020 with purposive sampling. There are 215 respondents who are selected based on the following criteria: (1) BCA customers who domiciled in Surabaya; (2) active customers who conduct financial transactions at BCA for at least one year; and (3) utilizing ATM services, mobile banking, and other service facilities. This study uses primary data. The questionnaire uses interval scale of 1-9 from "strongly disagree" to "strongly agree."

Exogenous variables in this study are brand image (X1), service quality (X2), and customer value (X3). In comparison, there are two endogenous variables: brand loyalty (Z) as the intervening dependent variable and brand equity (Y) as the dependent variable. Each exogenous variable also has a measurement indicator. Brand image (X1) has seven indicators: friendly (x11), gentle (x12), trust (x13), innovative (x14), accurate (x15), modern (x16), and easy to use (x17). Service quality (X2) has five indicators: tangible (x21), reliable (x22), responsive (x23), assurance (x24), and empathy (x25). Customer value (X3) has three indicators: functional (x31), emotional (x32), social (x33). Brand loyalty (Z) has three indicators: main choice (z11), words of mouth (z12), reference (z13). Brand equity (Y) has three indicators: brand awareness (y11), brand association (y12), and perceived quality (y13).

RESULT AND DISCUSSION

Validity and Reability Test

Each question in the questionnaire is a research instrument that must be tested with a certain standard size so that the questionnaire results are valid and reliable to be used in research. From the total sample of 215 respondents, with a significant level of 5%, the r-value of table 0.138 was obtained. The research instrument is said to be valid if $r_{count} > r_{table}$. From the results, all indicators have a calculated r-value greater than the r table, except the question for indicator x11 of 0.020. Hence, in the study, all indicators are valid except for statement x11. The validity test result is presented in Table 1. While the Cronbach's Alfa test results obtained a value of 0.851 which means greater than 0.700, then the question items in the questionnaire used in this study are reliable. The reability test result is presented in Table 2.

Confirmatory Factor Analysis Exogenous Construct

Based on data processing with Stata 14, Appendix 1 shows confirmatory factors analysis (CFA) on exogenous variables aims to test the unidimensionality of the indicators forming exogenous and endogenous latent variables (Akroush & Mahadin, 2019). The latent variable or exogenous construct consists of 3 variables with 15 observed variables as their constituents. In the modeling of CFA, loading factors mean the correlation between the indicator and the latent construct. An indicator with a value of 0.5 has a weak correlation, such as latent constructs X1 including x11, x12, and x15. Meanwhile, the rest is used to build the full model. In comparison, all indicators on latent variables X2 and X3 are all used in building the model.

Confirmatory Factors Analysis of Endogenous Constructions

Appendix 2 shows the result of CFA analysis toward endogenous variables with six observed variables as their constituents. There are no indicators with values below 0.5. Then, all indicators are used in building the model. The loading factor indicator's extraction results with the variables can be continued to build a complete model.

Table 1. Validity Test

Latent Constructs	Observed Variables	r table	r count	Information
Brand Image (X1)	Friendly (x11)	0.138	0.020	Invalid
	Gentle (x12)	0.138	0.167	Valid
	Trust (x13)	0.138	0.383	Valid
	Innovative (x14)	0.138	0.339	Valid
	Accurate (x15)	0.138	0.337	Valid
	Modern (x16)	0.138	0.339	Valid
	Easy to Use (x17)	0.138	0.367	Valid
Service Quality (X2)	Tangible (x21)	0.138	0.487	Valid
	Reliable (x22)	0.138	0.623	Valid
	Responsive (x23)	0.138	0.670	Valid
	Assurance (x24)	0.138	0.625	Valid
	Empathy (x25)	0.138	0.620	Valid
Customer Value (X3)	Functional (x31)	0.138	0.663	Valid
	Emotional (x32)	0.138	0.605	Valid
	Social (x33)	0.138	0.650	Valid
Brand Loyalty (Z)	Main Choice (z11)	0.138	0.609	Valid
	Words of Mouth (z12)	0.138	0.610	Valid
	Reference (z13)	0.138	0.589	Valid
Brand Equity (Y)	Brand Awareness (y11)	0.138	0.552	Valid
	Brand Associations (y11)	0.138	0.641	Valid
	Perceived Quality (y13)	0.138	0.540	Valid

Table 2. Reliability Test

Latent Constructs	Cronbach's Alpha	Critical Value	Information
Brand Image (X1)	0.7435	0.700	Reliable
Service Quality (X2)	0.8251	0.700	Reliable
Customer Value (X3)	0.8253	0.700	Reliable
Brand Loyalty (Z)	0.7198	0.700	Reliable
Brand Equity (Y)	0.7358	0.700	Reliable

Structural Equation Modeling

The model was built to test the models and hypotheses developed in this study. The model is tested in two ways: the significance test of causality through the regression coefficient test and the model suitability test.

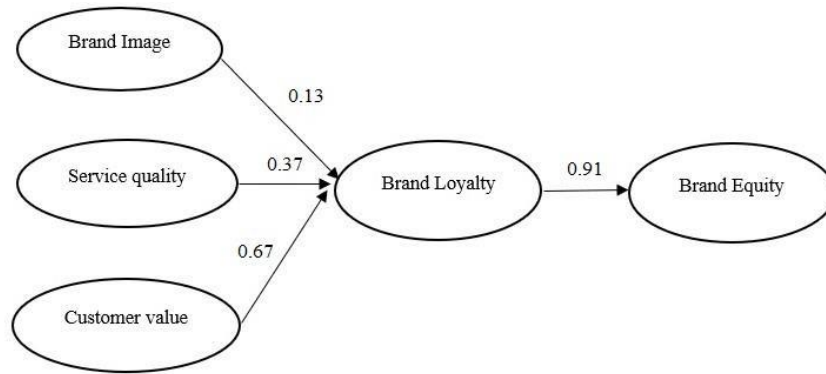


Figure 1. Result of Model Testing

Furthermore, Appendix 5 explains the regression results of the full model between the latent variables and each indicator that meets the study's requirements. Table 3 shows the summary of hypothesis testing that brand image positively affects brand loyalty (H1). It can be seen from the path of 0.13 that service quality positively affects brand loyalty (H2), and customer value has a positive effect on brand loyalty (H3). From the results, all z values are above 1.96 can be interpreted as all variables and indicators in the model are fit.

Table 3. Hypothesis Testing

Hypothesis	Description	Path Coeff	Information
H1	Brand Image (X1) Brand Loyalty (Z)	0.13	Supported
H2	Service Quality (X2) Brand Loyalty (Z)	0.37	Supported
H3	Customer Value (X3) Brand Loyalty (Z)	0.67	Supported
H4	Brand Loyalty (Z) Brand Equity (Y)	0.91	Supported

Brand loyalty has a positive effect on brand equity (H4). It can be seen from the path of 0.91 and, it is known that z value 17.11 > 1.96 can be interpreted as the variable and indicators in the model is fit. In Structural Equation Modeling (SEM), a goodness of fit test is needed for the model built, shown in Appendix 4 with RMSE $0.061 \leq 0.08$, TLI $0.914 \geq 0.90$, and CFI $0.28 \geq 0.90$ reflect fit structural modeling.

Discussion

PT. Bank Central Asia, Tbk strives to provide excellent service to customers with various innovations and creativity in line with digital technology advancement. Antecedents for building brand loyalty are influenced by brand image, service quality, and customer value in this research. Brand loyalty has a strategic role in forming brand equity. Companies must work hard to get loyal customers to establish long-term relationships and commitment between customers and the company to form brand equity. With many savings customers, bank should provide a secure saving and transactions.

Brand image in this study is proven to have a strong influence on the consumer minds which ultimately affects their brand loyalty (Altaf et al., 2017; Bapat, 2017). Consumers who have good experience receive expected quality of service which will form a customer commitment (Espinosa et al., 2018; Hapsari, 2017; Hoang, 2019; Parihar & Dawra, 2020). Likewise, customer value has a strong influence on brand loyalty if it functionally, emotionally, and socially meet customer expectations (Kim & Lee, 2020).

Having loyal customers will be very beneficial for the company because customers will not be easy to move to other banks (Altaf et al., 2017). It is essential to build a positive brand image in customers mind because of fierce competition in banking industry (Boateng et al., 2019; Parihar & Dawra, 2020; Rubio et al., 2019). The existence of digital technology services that are always updated and meet the customers need (Asnawi et al., 2019; Kim & Lee, 2020; Pan & Ha, 2019; Saleh et al., 2017). ATM services in various outlets, enable customers to withdraw, save, transfer money, pay water bills, electricity, and many other conveniences. If the customer cannot go to the ATM to make e-money payments, they can use mobile banking service that always updates its features. With mobile banking, consumer can make an easy, fast, and safe transactions.

Customers feel safe using saving services due to their perception that the bank is financially healthy. Besides, BCA's awards prove that BCA continues to be a trusted bank, a very healthy bank, and has a quality service that is always up to date. Based on its strong goal to provide an excellent service to its customers, a bank usually build technology infrastructure and customer-focus employees (Akroush & Mahadin, 2019; Hoang, 2019; Pan & Ha, 2019). Customers feel the value received both functionally, emotionally, and socially has met their expectations, so this needs attention from the company (Razzaq et al., 2019). Therefore, maintaining consumer loyalty is an effective strategy to attract new customers (Mohsin & Aftab, 2013; Pan & Ha, 2019). Brand loyalty will make customers show the ability to recognize or recall a brand from a company product or service, the brand will give a positive impression in the customer's perception, and the customers have the experience of receiving pleasant service quality with the brand so that it will strengthen brand equity (Altaf et al., 2017; Saleh et al., 2017).

CONCLUSION

This study concludes that brand equity that mediated by brand loyalty are influenced by brand image, service quality, and customer value in this research. This research contributes to marketing management in service company. Brand equity will provide value to the company to make the right strategy to make a memorable brand and its strong attributes attached to the community. In marketing management, it is essential to be a market leader and have a high market share in the fierce competition by influencing consumer perception. The company has tried to build a positive brand image captured in customers' minds to become the customer's first choice.

The implication of this research is providing managerial insights and enriching knowledge related to how brand image, service quality, and customer value toward brand loyalty in a banking company. Therefore, the company needs loyal customers who has a significant role to build its brand equity. Companies must maintain a brand image as a healthy and safe bank by continuously providing quality services. Companies must also be responsive to adapt its service based on consumer needs by providing up to date, fresh, and value-added services to customers. Hence, customers will have a positive and satisfying experience that will encourage them to be loyal to the brand and strengthen brand equity.

However, this study has limitations such as uses three endogenous variables (brand image, service quality, and customer value) to identify its impact on brand loyalty and brand

equity. Therefore, future studies can use more endogenous variables such as customer engagement and experience to determine factors that influence brand loyalty and brand equity.

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Appendix 1. Confirmatory Factor Analysis Exogenous Variable

Latent Constructs	Observed Variables	Loading Factor	Z	p> zI
Brand Image (X1)	Friendly (x11)	0.28	3.89	0.00
	Gentle (x12)	0.42	6.44	0.00
	Trust (x13)	0.69	14.62	0.00
	Innovative (x14)	0.73	16.07	0.00
	Accurate (x15)	0.48	7.77	0.00
	Modern (x16)	0.63	12.05	0.00
Service Quality (X2)	Easy to use (x17)	0.55	9.50	0.00
	Tangibles (x21)	0.51	9.40	0.00
	Reliability (x22)	0.78	22.30	0.00
	Responsiveness (x23)	0.82	25.21	0.00
	Assurance (x24)	0.74	18.92	0.00
Customer Value (X3)	Empathy (x25)	0.64	13.43	0.00
	Functional (x31)	0.86	27.71	0.00
	Emotional (x32)	0.83	25.33	0.00
	Social (x33)	0.67	15.30	0.00

Appendix 2. Confirmatory Factor Analysis Endogen Variable

Latent Constructs	Observed Variables	Loading Factor	Z	p> zI
Brand Loyalty (Z)	Main Choice (z11)	0.68	13.37	0.00
	Words of Mouth (z12)	0.64	11.96	0.00
	Reference (z13)	0.71	14.24	0.00
Brand Equity (Y)	Brand Awareness (y11)	0.62	9.91	0.00
	Brand Associations (y12)	0.59	9.32	0.00
	Perceived Quality (y13)	0.52	7.90	0.00

Appendix 3. Regression Result

Description		Loading Factor	Z	p> zI	Information
Brand Image	→ Brand Loyalty	0.13	2.36	0.02	Significant
Service Quality	→ Brand Loyalty	0.37	5.31	0.00	Significant
Customer Value	→ Brand Loyalty	0.67	10.18	0.00	Significant
Brand Loyalty	→ Brand Equity	0.91	17.11	0.00	Significant

Appendix 4. Goodness of Fit

Criteria	Cut of Value	Result	Evaluation
RMSE	≤ 0.08	0.061	Good
TLI	≥ 0.90	0.914	Good
CFI	≥ 0.90	0.928	Good

Appendix 5. Regression Weight Structural Equation Model

	Description	Loading Factor	Z	p> zI
Brand Image (X1)	→ Trust (x13)	0.74	14.62	0.00
Brand Image (X1)	→ Innovative (x14)	0.72	16.07	0.00
Brand Image (X1)	→ Modern (x16)	0.60	12.05	0.00
Brand Image (X1)	→ Easy to Use (x17)	0.55	9.50	0.00
Service Quality (X2)	→ Tangibles (x21)	0.51	9.40	0.00
Service Quality (X2)	→ Reliability (x22)	0.78	22.30	0.00
Service Quality (X2)	→ Responsiveness (x23)	0.81	25.21	0.00
Service Quality (X2)	→ Assurance (x24)	0.74	18.92	0.00
Service Quality (X2)	→ Empathy (x25)	0.64	13.43	0.00
Customer Value (X3)	→ Functional (x31)	0.85	27.71	0.00
Customer Value (X3)	→ Emotional (x32)	0.80	25.33	0.00
Customer Value (X3)	→ Social (x33)	0.72	15.30	0.00
Brand Loyalty (Z)	→ Main Choice (z11)	0.68	13.37	0.00
Brand Loyalty (Z)	→ Words of Mouth (z12)	0.64	11.96	0.00
Brand Loyalty (Z)	→ Reference (z13)	0.71	14.24	0.00
Brand Equity (Y)	→ Brand Awareness (y11)	0.62	9.91	0.00
Brand Equity (Y)	→ Brand Associations (y12)	0.59	9.32	0.00
Brand Equity (Y)	→ Perceived Value (y13)	0.52	7.90	0.00
Brand Image (X1)	→ Brand Loyalty (Z)	0.13	2.36	0.02
Service Quality (X2)	→ Brand Loyalty (Z)	0.37	5.31	0.00
Customer Value (X3)	→ Brand Loyalty (Z)	0.67	10.18	0.00
Brand Loyalty (Z)	→ Brand Equity (Y)	0.91	17.11	0.00