

When Heritage Doesn't Moderate: The Role of Perceived Ethicality and Recognition Benefits in Building Brand Equity

Eggar Sajid Nur Ar-raffi¹, Budhi Haryanto², Muhammad Yudha Prawira Negara³
Sebelas Maret University, Indonesia^{1,2,3}

Abstract

Purpose: This study examines how Customer Perceived Ethicality contributes to Brand Equity in a state-owned heritage bank in Indonesia, with Brand Image and Recognition Benefits as perceptual and relational mechanisms and Brand Heritage as a moderator. Drawing on the Stimulus–Organism–Response perspective and corporate-services-brand literature, the study investigates whether historical identity changes the strength of ethicality effects on downstream brand outcomes.

Methodology: A quantitative, predictive, cross-sectional survey was conducted using purposive sampling among 350 customers with direct experience of the focal bank. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The measurement model was assessed through outer loadings, reliability, Average Variance Extracted (AVE), discriminant validity, and full-collinearity diagnostics. The structural model was evaluated using R^2 , f^2 , bootstrapped direct and indirect effects, and interaction terms.

Findings: Customer Perceived Ethicality positively affects Brand Image ($\beta = 0.345$, $p < 0.001$), Recognition Benefits ($\beta = 0.264$, $p < 0.001$), and Brand Equity ($\beta = 0.143$, $p = 0.036$). Recognition Benefits positively affects Brand Image ($\beta = 0.206$, $p < 0.001$) and Brand Equity ($\beta = 0.192$, $p = 0.001$), while Brand Image has the strongest direct effect on Brand Equity ($\beta = 0.361$, $p < 0.001$). Significant mediation occurs through Brand Image, Recognition Benefits, and the serial pathway Recognition Benefits → Brand Image. None of the three Brand Heritage moderation effects is statistically significant.

Implications: Heritage should not automatically be treated as a boundary condition of ethicality effects. Instead, Brand Heritage can create value directly through Brand Image and Recognition Benefits, while contemporary ethical performance remains independently important for Brand Equity.

Limitations: The study is limited by its single-bank context, cross-sectional design, purposive sampling, and self-reported perceptions. Future research should examine other banking and service contexts, use longitudinal or multi-group designs, and test additional mechanisms explaining when heritage becomes a meaningful boundary condition.

Keywords: Customer Perceived Ethicality; Recognition Benefits; Brand Image; Brand Equity; Brand Heritage; State-Owned Heritage Bank; Indonesia.

1. Introduction

Brand equity in service industries is increasingly shaped by what customers believe a firm stands for, not only by the functional performance of the service. In financial services, this issue is particularly consequential because customers entrust institutions with information, money, long-term commitments, and decisions that can have substantial social consequences. Ethicality therefore becomes part of the brand experience: customers evaluate whether an institution is socially

responsible, respects laws and moral norms, communicates transparently, and avoids conduct that may harm stakeholders. Research on corporate services brands has established that customer perceived ethicality can improve brand equity through affective, quality-based, image-based, and relational mechanisms (Sierra et al., 2017; Iglesias et al., 2019).

One important mechanism is Brand Image. Customers do not evaluate ethical conduct in isolation; they integrate ethical signals into broader beliefs about what a brand is, what it represents, and whether it is trustworthy and distinctive. Accordingly, a bank perceived as responsible and morally consistent can develop a more favorable image, which subsequently strengthens customer preference, trust, willingness to stay, and advocacy. Another mechanism is Recognition Benefits. Relational marketing research shows that customers value being recognized, appreciated, treated personally, and regarded as important. Such relational benefits can transform an otherwise transactional service relationship into a more meaningful relationship and can contribute to positive brand evaluations (Gremler et al., 2020).

The present study focuses on a state-owned heritage bank in Indonesia because the setting provides a theoretically useful tension between historical legitimacy and contemporary ethical evaluation. Heritage brands accumulate meaning through longevity, continuity, historical identity, and values perceived to have endured across time (Balmer & Chen, 2017; Pecot et al., 2018; Rindell & Santos, 2021). Heritage can therefore be expected to strengthen the credibility of ethical signals. Yet the same historical identity may not necessarily alter customers' responses to contemporary ethical behavior. Customers may treat heritage as a separate source of value while evaluating current ethicality based on present experiences, transparency, service interactions, and institutional conduct.

This tension is the central research problem. Iglesias et al. (2019) proposed a model in which Customer Perceived Ethicality affects Brand Equity through Brand Image and Recognition Benefits, while Brand Heritage plays a moderating role. However, the thesis evidence underlying the present article shows a different pattern in the Indonesian banking context: Brand Heritage significantly predicts Brand Image and Recognition Benefits directly, but its interaction with Customer Perceived Ethicality is not significant. This result is theoretically important because it suggests that heritage may create brand value without necessarily functioning as a boundary condition for ethicality effects.

The study therefore asks three related questions. First, does Customer Perceived Ethicality strengthen Brand Image, Recognition Benefits, and Brand Equity? Second, do Recognition Benefits and Brand Image explain the mechanism through which ethicality contributes to Brand Equity? Third, does Brand Heritage actually change the strength of those relationships? Answering these questions is important for theory because it clarifies whether heritage should be conceptualized primarily as a moderator or as an independent brand resource. It is also important for managers because investing in historical storytelling may not substitute for current ethical performance.

The study makes three contributions. First, it re-examines an established corporate-services-brand model in an Indonesian state-owned banking context. Second, it integrates Recognition Benefits and Brand Image as complementary mechanisms that translate ethical perceptions into Brand Equity, including a serial mediation pathway. Third, it provides empirical evidence for a non-moderation result and argues that the absence of moderation is itself theoretically meaningful: Brand Heritage can be valuable directly without changing how customers process ethicality.

2. Literature Review and Theoretical Development

2.1 Theoretical Foundation: Stimulus–Organism–Response

The Stimulus–Organism–Response (S-O-R) framework proposes that external stimuli influence internal evaluations, which subsequently generate behavioral or evaluative responses (Mehrabian & Russell, 1974). In the present model, Customer Perceived Ethicality represents a salient stimulus because it captures customers' interpretation of an institution's moral and social conduct. Brand Image and Recognition Benefits represent organismic evaluations: they reflect how customers

cognitively and relationally process the ethical stimulus. Brand Equity represents the response, expressed as stronger preference, trust, commitment, pride, recommendation, and perceived value. Brand Heritage is introduced as a contextual characteristic that could change the strength of the stimulus–organism and stimulus–response links. The empirical question is whether that contextual role is supported.

2.2 Customer Perceived Ethicality and Brand Image

Customer Perceived Ethicality refers to the extent to which customers perceive a brand or company as honest, socially responsible, law-abiding, morally appropriate, transparent, and careful not to harm stakeholders (Iglesias et al., 2019; Sierra et al., 2017). Ethical perceptions provide diagnostic information about organizational integrity. When customers observe ethical behavior, they are more likely to infer that the organization is responsible and trustworthy, which contributes to favorable brand associations. Research on ethical brand perception further indicates that customers reconcile ethical information with broader brand judgments rather than treating ethicality as a narrow compliance attribute (Brunk & De Boer, 2020). In banking, where trust and institutional credibility are central, such inferences should be especially relevant.

H1. Customer Perceived Ethicality positively affects Brand Image.

2.3 Customer Perceived Ethicality and Recognition Benefits

Ethicality can also generate relational benefits. When customers perceive an institution as responsible and respectful, they may infer that the institution values its customers and the relationship itself. Recognition Benefits include feeling appreciated, receiving attentive treatment, feeling important, experiencing a closer relationship, and perceiving that one's views matter. Iglesias et al. (2019) and Markovic et al. (2018) indicate that ethical perceptions can stimulate positive relational and affective responses. In service settings, these responses are particularly relevant because the customer participates directly in the service relationship.

H2. Customer Perceived Ethicality positively affects Recognition Benefits.

2.4 Recognition Benefits and Brand Image

Recognition Benefits are not merely interpersonal rewards; they can become inputs into brand meaning. Customers who feel personally recognized may interpret the firm as caring, responsive, distinctive, and relationship-oriented. Meta-analytic evidence on customer relational benefits indicates that relational benefits contribute to stronger relationship outcomes in services (Gremier et al., 2020). Consequently, customers who feel valued should form more favorable and distinctive brand associations.

H3. Recognition Benefits positively affects Brand Image.

2.5 Brand Image and Brand Equity

Brand Image represents the set of associations and overall impressions customers hold about a brand. In consumer-based branding, favorable and distinctive associations become intangible assets because they influence preference, trust, and willingness to maintain the relationship. Prior service-brand research demonstrates that Brand Image is a central building block of consumer-based Brand Equity (Sürücü et al., 2019; Sarker et al., 2021). The same logic should apply to banking: when customers perceive an institution as valuable, distinctive, reliable, attractive, and not disappointing, the brand can command stronger preference even when competing institutions offer similar functional services.

H4. Brand Image positively affects Brand Equity.

2.6 Recognition Benefits and Brand Equity

Recognition Benefits can contribute directly to Brand Equity because relational experiences become part of customers' overall valuation of the brand. Feeling respected and important can increase trust,

pride, commitment, and willingness to recommend. These outcomes correspond closely to the relational manifestations of customer-based Brand Equity. Accordingly, Recognition Benefits should not be treated only as an intermediate service experience; they can represent a direct pathway through which customers attach greater value to a brand.

H5. Recognition Benefits positively affects Brand Equity.

2.7 Customer Perceived Ethicality and Brand Equity

Ethicality may also affect Brand Equity directly. Customers can value an institution more highly when they perceive its conduct as socially responsible, morally appropriate, and consistent with stakeholder expectations. Prior research shows that ethical image and perceived ethicality can contribute to equity through multiple mechanisms, including affect, perceived quality, image, and loyalty (Sierra et al., 2017; Iglesias et al., 2019). Thus, even after accounting for Brand Image and Recognition Benefits, ethicality may retain a direct contribution to Brand Equity.

H6. Customer Perceived Ethicality positively affects Brand Equity.

2.8 Brand Heritage as a Moderator

However, heritage may also be decoupled from current ethical evaluations. A long history can establish a stable identity, but customers may judge present-day conduct through current interactions and evidence. In addition, heritage can be perceived as traditional or less relevant when it is not translated into contemporary value. Therefore, the moderation hypothesis should be treated as an empirical question rather than an assumption.

H7. Brand Heritage moderates the positive relationship between Customer Perceived Ethicality and Brand Image.

H8. Brand Heritage moderates the positive relationship between Customer Perceived Ethicality and Brand Equity.

H9. Brand Heritage moderates the positive relationship between Customer Perceived Ethicality and Recognition Benefits.

2.9 Conceptual Model

The conceptual model follows the established ethicality–brand equity logic while explicitly separating direct effects, mediating mechanisms, and moderation tests. Solid paths represent direct relationships and mediated pathways; dashed paths represent the three interaction effects involving Brand Heritage.

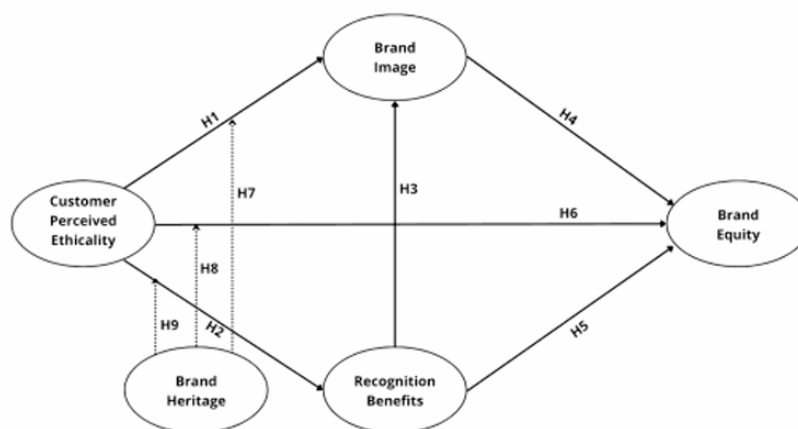


Figure 1. Conceptual model of the study.

3. Method

3.1 Research Design and Context

The study employed a quantitative, predictive, cross-sectional research design. The design is appropriate for estimating relationships among latent constructs and testing a theoretically specified structural model. The focal context is a state-owned heritage bank in Indonesia. To support journal-oriented presentation and avoid unnecessary product-level specificity, the institution is referred to throughout this article as 'the focal state-owned heritage bank' or 'the focal bank'. The institution was selected because it combines a long-standing historical identity with broad customer reach, making it an appropriate context for testing whether heritage changes customers' responses to contemporary ethical perceptions.

3.2 Population, Sampling, and Data Collection

The population consisted of customers who had direct experience with the focal bank's services. Purposive sampling was used because respondents needed sufficient experience to evaluate ethicality, relational treatment, heritage, image, and brand equity. A total of 350 valid respondents were retained. The online questionnaire was distributed between 17 April and 18 May 2026 through social media and direct messaging channels. Participation was voluntary, and respondents were screened to ensure that they had used or were currently using the focal bank's services.

Table 1. Respondent profile (N = 350).

Table 1. Respondent profile (N = 350).

Characteristic	Category	n	%
Age	<20 years	5	1.4
	21–25 years	91	26.0
	26–30 years	83	23.7
	31–40 years	70	20.0
	≥40 years	101	28.9
Gender	Male	153	43.7
	Female	197	56.3
Length of use	<6 months	8	2.3
	6–12 months	94	26.9
	≥1 year	248	70.9
Usage frequency	Rarely (<1×/month)	53	15.1
	Sometimes (2–3×/month)	142	40.6
	Often (≥1×/week)	155	44.3

3.3 Measures

All constructs were measured using reflective indicators adapted from established scales cited in the thesis. Items were contextualized to the banking setting while preserving the meaning of the original constructs. Responses were recorded on a five-point Likert scale from 1 = strongly disagree to 5 = strongly agree. Customer Perceived Ethicality was measured with 12 items; Brand Image with 10 items; Recognition Benefits with 9 items; Brand Heritage with 8 items; and Brand Equity with 8 items.

Table 2. Construct operationalization.

Table 2. Construct operationalization.

Construct	No. of items	Conceptual focus	Primary source
Customer Perceived Ethicality	12	Social responsibility, legal/moral compliance, stakeholder care, avoidance of harmful conduct	Sierra et al. (2017)

Construct	No. of items	Conceptual focus	Primary source
Brand Image	10	Value, distinctiveness, attractiveness, personality, reputation, reliability	Syah & Olivia (2022)
Recognition Benefits	9	Feeling important, appreciated, personally attended to, and recognized	Iglesias et al. (2019)
Brand Heritage	8	Longevity, continuity, experience, historical identity, inherited service legacy	Pecot et al. (2018)
Brand Equity	8	Preference, trust, retention, recommendation, pride, superior perceived value	Iglesias et al. (2019)

3.4 Data Analysis

Data were first summarized descriptively and then analyzed using SmartPLS for PLS-SEM. The measurement model was evaluated through outer loadings, Average Variance Extracted (AVE), Cronbach's alpha, rho_A, Composite Reliability, and the Fornell-Larcker criterion. Common method bias was assessed using full-collinearity VIF. The structural model was evaluated through R^2 and f^2 . Hypotheses were tested using bootstrapping, with t-statistics and p-values used to determine statistical significance. Indirect effects were evaluated to establish mediation, while interaction terms between Customer Perceived Ethicality and Brand Heritage were used to test moderation.

4. Results

4.1 Measurement Model

All constructs met the minimum measurement criteria reported in the thesis. Outer loadings ranged from 0.706 to 0.805 across constructs, while all AVE values exceeded 0.50. Cronbach's alpha and Composite Reliability were above the commonly accepted thresholds, supporting internal consistency.

Table 3. Measurement model reliability and convergent validity.

Table 3. Measurement model reliability and convergent validity.

Construct	Items	Loading range	Cronbach's α	rho_A	CR	AVE
Customer Perceived Ethicality	12	0.711–0.731	0.777	0.778	0.848	0.528
Brand Image	10	0.706–0.739	0.765	0.766	0.841	0.515
Recognition Benefits	9	0.721–0.741	0.864	0.866	0.895	0.550
Brand Heritage	8	0.713–0.755	0.781	0.781	0.851	0.533
Brand Equity	8	0.742–0.805	0.835	0.836	0.884	0.604

Discriminant validity was supported using the Fornell-Larcker criterion. The square roots of AVE were 0.777 for Brand Equity, 0.730 for Brand Heritage, 0.717 for Brand Image, 0.727 for Recognition Benefits, and 0.741 for Customer Perceived Ethicality, each exceeding the corresponding inter-construct correlations. This indicates that the constructs were empirically distinguishable.

Table 4. Fornell-Larcker discriminant validity matrix.

Table 4. Fornell-Larcker discriminant validity matrix.

Construct	BE	BH	BI	RB	CPE
Brand Equity (BE)	0.777				
Brand Heritage (BH)	0.545	0.730			
Brand Image (BI)	0.643	0.627	0.717		

Construct	BE	BH	BI	RB	CPE
Recognition Benefits (RB)	0.557	0.621	0.636	0.727	
Customer Perceived Ethicality (CPE)	0.508	0.446	0.503	0.447	0.741

Because all constructs were collected through the same self-report questionnaire, common method bias was also examined. Full-collinearity VIF values ranged from 1.335 to 1.908 across constructs, remaining below the 3.3 threshold reported in the study. Thus, the analysis did not indicate a serious common method bias problem.

Table 5. Full-collinearity assessment.

Table 5. Full-collinearity assessment.

Construct	VIF range	Decision
Customer Perceived Ethicality	1.335–1.544	No common method bias
Brand Image	1.366–1.480	No common method bias
Recognition Benefits	1.666–1.894	No common method bias
Brand Heritage	1.412–1.577	No common method bias
Brand Equity	1.565–1.908	No common method bias

4.2 Descriptive Patterns

At the indicator level, mean scores ranged from 3.66 to 4.15. Customer Perceived Ethicality had the highest mean range (4.02–4.15), indicating generally favorable ethical evaluations. Recognition Benefits had the lowest mean range (3.66–3.81), suggesting that relational recognition was comparatively less strongly perceived. This descriptive pattern is important because it indicates that ethicality was broadly established in customers' perceptions, whereas the relational experience of being recognized remained a more differentiated aspect of the brand relationship.

4.3 Structural Model

4.3 Structural Model

Table 6. Coefficient of determination.

Table 6. Coefficient of determination.

Endogenous construct	R ²	Adjusted R ²	Interpretation
Brand Equity	0.497	0.490	Near-moderate explanatory power
Brand Image	0.524	0.518	Moderate explanatory power
Recognition Benefits	0.250	0.243	Weak explanatory power

The model explained 52.4% of the variance in Brand Image, 25.0% of the variance in Recognition Benefits, and 49.7% of the variance in Brand Equity. Thus, Brand Image was explained at a moderate level, Recognition Benefits at a weaker level, and Brand Equity at a level approaching moderate explanatory power.

Effect-size analysis indicated mostly small contributions. The largest f^2 values were Customer Perceived Ethicality → Brand Image (0.142), Brand Heritage → Brand Image (0.124), Brand Image → Brand Equity (0.123), and Recognition Benefits → Brand Image (0.067). The moderation terms had very small effect sizes, particularly Brand Heritage × Customer Perceived Ethicality → Brand Image (0.000), → Recognition Benefits (0.005), and → Brand Equity (0.010).

4.4 Direct Effects and Hypothesis Testing

Table 7. Direct and moderation effects.

Table 7. Direct and moderation effects.

Hyp.	Path	β	t	p	Decision
H1	CPE → BI	0.345	5.100	<0.001	Supported

Hyp.	Path	β	t	p	Decision
H2	CPE $\rightarrow$ RB	0.264	3.794	<0.001	Supported
H3	RB $\rightarrow$ BI	0.206	3.814	<0.001	Supported
H4	BI $\rightarrow$ BE	0.361	5.218	<0.001	Supported
H5	RB $\rightarrow$ BE	0.192	3.210	0.001	Supported
H6	CPE $\rightarrow$ BE	0.143	2.096	0.036	Supported
H7	BH $\times$ CPE $\rightarrow$ BI	0.001	0.042	0.967	Not supported
H8	BH $\times$ CPE $\rightarrow$ BE	-0.057	1.731	0.083	Not supported
H9	BH $\times$ CPE $\rightarrow$ RB	-0.051	1.155	0.248	Not supported

All six direct-effect hypotheses were supported. Customer Perceived Ethicality had a positive effect on Brand Image ($\beta = 0.345$) and Recognition Benefits ($\beta = 0.264$), while Recognition Benefits positively affected Brand Image ($\beta = 0.206$). Brand Image produced the strongest direct effect on Brand Equity ($\beta = 0.361$), followed by Recognition Benefits ($\beta = 0.192$) and Customer Perceived Ethicality ($\beta = 0.143$).

The moderation results were consistently non-significant. The interaction effect on Brand Image was effectively zero ($\beta = 0.001$, $p = 0.967$), the interaction effect on Brand Equity was negative but statistically non-significant ($\beta = -0.057$, $p = 0.083$), and the interaction effect on Recognition Benefits was also negative and non-significant ($\beta = -0.051$, $p = 0.248$). Therefore, Brand Heritage did not strengthen or weaken the effect of Customer Perceived Ethicality on any of the three outcomes.

4.5 Direct Effects of Brand Heritage

Although the interaction effects were not significant, Brand Heritage itself was not irrelevant. Its direct effect on Brand Image was positive and significant ($\beta = 0.322$, $t = 4.764$, $p < 0.001$), and its direct effect on Recognition Benefits was also positive and significant ($\beta = 0.262$, $t = 3.724$, $p < 0.001$). Its direct effect on Brand Equity was not significant ($\beta = 0.122$, $t = 1.566$, $p = 0.117$). This pattern is central to the paper's argument: heritage has predictive value, but not as a moderator of ethicality effects.

4.6 Mediation Effects

Table 8. Bootstrapped indirect effects.

Table 8. Bootstrapped indirect effects.

Indirect pathway	β	t	p	Result
CPE $\rightarrow$ BI $\rightarrow$ BE	0.125	3.736	<0.001	Significant
CPE $\rightarrow$ RB $\rightarrow$ BI	0.054	2.564	0.010	Significant
RB $\rightarrow$ BI $\rightarrow$ BE	0.074	3.266	0.001	Significant
CPE $\rightarrow$ RB $\rightarrow$ BE	0.051	2.274	0.023	Significant
CPE $\rightarrow$ RB $\rightarrow$ BI $\rightarrow$ BE	0.020	2.325	0.020	Significant
BH $\rightarrow$ BI $\rightarrow$ BE	0.116	3.214	0.001	Significant
BH $\rightarrow$ RB $\rightarrow$ BE	0.050	2.212	0.027	Significant
BH $\rightarrow$ RB $\rightarrow$ BI $\rightarrow$ BE	0.019	2.442	0.015	Significant
BH $\rightarrow$ RB $\rightarrow$ BI	0.054	2.485	0.013	Significant

Brand Image significantly mediated the relationship between Customer Perceived Ethicality and Brand Equity ($\beta = 0.125$, $p < 0.001$). Recognition Benefits also significantly mediated the relationship between Customer Perceived Ethicality and Brand Equity ($\beta = 0.051$, $p = 0.023$). Most notably, the serial mediation pathway Customer Perceived Ethicality $\rightarrow$ Recognition Benefits $\rightarrow$ Brand Image $\rightarrow$ Brand Equity was significant ($\beta = 0.020$, $p = 0.020$). These results indicate that ethicality creates brand value through both a perceptual route and a relational route, and the relational route can subsequently reinforce Brand Image before contributing to Brand Equity.

5. Discussion

5.1 Ethicality as a Source of Brand Meaning

The positive effect of Customer Perceived Ethicality on Brand Image supports the view that ethical conduct is interpreted as brand meaning rather than merely operational compliance. Customers who perceive a financial institution as socially responsible, law-abiding, morally appropriate, and careful

not to harm stakeholders can translate those judgments into broader beliefs about the institution's character. The result is consistent with Iglesias et al. (2019) and Sierra et al. (2017), and it is particularly meaningful in banking because customers often evaluate institutional trustworthiness under conditions of information asymmetry.

The positive effect of Customer Perceived Ethicality on Recognition Benefits adds a relational explanation. Ethicality appears to communicate that the institution respects stakeholders, which can increase the likelihood that customers feel valued and recognized. This extends the ethicality literature by showing that the ethical evaluation is not only cognitive; it can also shape customers' interpretation of the quality of the relationship.

5.2 Recognition Benefits as a Relational Mechanism

Recognition Benefits positively affect both Brand Image and Brand Equity. This supports the idea that relationship experiences are central to service branding. Customers who feel appreciated can form stronger perceptions that a bank is caring, responsive, and customer-oriented. The effect on Brand Equity also suggests that recognition has value beyond satisfaction with a single encounter. Repeated experiences of recognition can accumulate into trust, pride, commitment, preference, retention, and advocacy.

The significant indirect path $CPE \rightarrow RB \rightarrow BI$ and the serial path $CPE \rightarrow RB \rightarrow BI \rightarrow BE$ are especially informative. They suggest that ethicality can create a relational benefit, which then becomes part of the customer's overall Brand Image before contributing to Brand Equity. In other words, customers may experience ethicality not only as a belief about institutional morality but also as evidence that the institution is worthy of a valued relationship.

5.3 Brand Image as the Strongest Direct Driver of Brand Equity

Brand Image has the strongest direct coefficient in the model ($\beta = 0.361$). This indicates that ethicality and recognition are important, but their contribution to Brand Equity is partly realized through the broader brand meaning customers construct. The finding is consistent with consumer-based Brand Equity models in which strong, favorable, and distinctive associations increase preference and perceived value. For managers, this means ethical initiatives should not be isolated from brand experience. Ethical conduct must be translated into a coherent image through service delivery, communication, transparency, and consistency.

5.4 When Heritage Does Not Moderate

The central finding is that Brand Heritage does not moderate the relationship between Customer Perceived Ethicality and Brand Image, Recognition Benefits, or Brand Equity. This result contrasts with the expectation that historical continuity should strengthen the credibility of ethical signals. However, it can be interpreted through a distinction between heritage as a source of meaning and heritage as a boundary condition.

First, customers may use current evidence to evaluate current ethicality. A long history can establish institutional legitimacy, but it cannot automatically amplify the effect of contemporary ethical behavior. Second, heritage may operate through a separate cognitive route. The significant direct effect of Brand Heritage on Brand Image indicates that customers can derive positive brand associations from longevity and continuity without requiring heritage to interact with ethicality. Third, the non-significant moderation effect may indicate that customers do not combine the two signals multiplicatively. Instead, they may evaluate ethicality and heritage as parallel sources of brand meaning.

The negative but non-significant interaction for Brand Equity ($\beta = -0.057$, $p = 0.083$) is also informative. It does not justify claiming that heritage weakens ethicality; however, its direction suggests that a strong historical identity does not necessarily make ethicality more influential. At the 5% significance level, the evidence supports a non-moderation conclusion. The appropriate

theoretical implication is therefore not that heritage is irrelevant, but that its role is more directly predictive than interactive.

5.5 Reframing Brand Heritage as an Independent Strategic Asset

The pattern of significant direct effects on Brand Image and Recognition Benefits, combined with non-significant interaction effects, suggests a more nuanced conceptualization of Brand Heritage. Rather than functioning as a moderator, heritage may be an independent brand resource that directly shapes what customers believe and how they experience the relationship. This interpretation is compatible with the signaling perspective of Pecot et al. (2018) and authenticity-oriented work by Rindell and Santos (2021), but it specifies a boundary: heritage can create favorable associations without necessarily changing the sensitivity of customers to ethicality.

This reframing is particularly relevant for state-owned heritage banks. Historical legitimacy may be institutionally valuable, but contemporary customers still need evidence of ethical conduct, responsiveness, and relevance. Heritage therefore works best when converted into present-day value rather than treated as an automatic source of credibility.

5.1. Theoretical Contributions

The study strengthens the ethicality–brand equity literature by showing that Customer Perceived Ethicality contributes simultaneously to Brand Image, Recognition Benefits, and Brand Equity.

Recognition Benefits should be treated as a meaningful relational mechanism in service-brand equity formation. The significant single and serial mediation paths show that ethical perceptions can be converted into brand value through relationship experiences.

Brand Image emerges as the strongest direct predictor of Brand Equity, reinforcing its central role in translating ethical and relational evaluations into broader brand value.

The non-significant interaction effects challenge the assumption that Brand Heritage should automatically be modeled as a moderator. The evidence instead supports a context-dependent view in which heritage can have direct predictive effects while remaining non-moderating.

The study extends the focal model to an Indonesian emerging-market banking context, showing that the ethicality–brand equity mechanism remains relevant even when the proposed heritage boundary condition is not supported.

5.2. Managerial and Policy Implications

Managers should prioritize current ethical performance rather than relying on historical legitimacy. The significant effects of Customer Perceived Ethicality indicate that transparency, fair treatment, compliance with moral and legal standards, responsible stakeholder practices, and avoidance of harmful conduct are directly relevant to Brand Image and Brand Equity. Ethicality should therefore be visible in the customer journey, not confined to corporate policies or annual reports.

Managers should design customer experiences that produce genuine Recognition Benefits. Customers should feel that their concerns are heard, their feedback matters, their needs are understood, and their relationship with the institution is recognized. Digital personalization can support this objective, but personalization should not become purely algorithmic; customers need evidence of responsiveness and respect.

Heritage should be communicated as an active strategic asset. Historical narratives can reinforce Brand Image and Recognition Benefits directly, but they should be connected to contemporary service promises. Instead of communicating heritage merely as age or longevity, managers can link historical continuity to present-day reliability, social responsibility, inclusion, innovation, and customer care.

6. Conclusion

This study demonstrates that Customer Perceived Ethicality is an important source of Brand Equity in a state-owned heritage bank in Indonesia. Ethicality strengthens Brand Image, Recognition Benefits, and Brand Equity directly. Recognition Benefits also strengthen Brand Image and Brand Equity, while Brand Image provides the strongest direct pathway to Brand Equity. The mediation results further show that ethicality contributes to brand value through Brand Image, Recognition Benefits, and the serial mechanism Recognition Benefits → Brand Image.

The central conclusion is that Brand Heritage does not moderate these relationships. The absence of moderation should not be interpreted as evidence that heritage is unimportant. On the contrary, Brand Heritage directly strengthens Brand Image and Recognition Benefits. The more precise conclusion is that heritage creates value independently rather than by changing the strength of customers' ethicality responses.

Accordingly, the title's proposition—"When Heritage Doesn't Moderate"—captures a theoretically useful distinction. A heritage brand can possess historical legitimacy and still need to earn contemporary Brand Equity through ethical conduct, relational recognition, and a favorable current Brand Image. For state-owned heritage banks, the strategic challenge is therefore not choosing between heritage and contemporary ethics, but converting historical continuity into present-day relevance while maintaining credible, customer-centered, and ethically responsible behavior.

6.1. Limitations and Future Research

Several limitations should be considered. First, the study is based on customers of a single state-owned heritage bank, so generalization to other banks, private institutions, or other service industries should be made cautiously. Second, the cross-sectional design captures perceptions at one point in time and cannot establish temporal causality. A longitudinal or time-lagged design would provide stronger evidence regarding how ethical experiences accumulate into Brand Equity.

Third, the data were collected through a self-report online questionnaire. Although the full-collinearity assessment did not indicate a serious common method bias problem, self-report designs remain vulnerable to response tendencies and subjective interpretation. Future research could combine survey responses with behavioral indicators, complaint records, service evaluations, or longitudinal customer data.

Fourth, the current model focuses on Brand Heritage as a moderator because of the theoretical expectation established in prior work. The empirical pattern suggests that future studies should formally test Brand Heritage as an antecedent or mediator. Other constructs such as Brand Trust, service quality, digital experience, perceived transparency, and customer engagement could also clarify when heritage becomes more or less consequential.

Finally, future studies should investigate whether the non-moderation finding varies across customer cohorts. Heritage may have different meanings for younger digital-first customers, long-term customers, and customers with strong intergenerational ties to an institution. Multi-group analysis could therefore provide a more refined explanation of when heritage becomes a boundary condition.

References

- Balmer, J. M. T., & Chen, W. (2017). Corporate heritage brands, augmented role identity and customer satisfaction. *European Journal of Marketing*, 51(9/10), 1510–1521. <https://doi.org/10.1108/EJM-07-2017-0449>
- Bansal, R., Saini, S., Fahlevi, M., & Aziz, A. L. (2025). Revealing the insights on Brand Heritage: A systematic review and future research directions. *Social Sciences & Humanities Open*, 12, 102251. <https://doi.org/10.1016/j.ssaho.2025.102251>

- Brunk, K. H., & De Boer, C. (2020). How do consumers reconcile positive and negative CSR-related information to form an ethical brand perception? A mixed method inquiry. *Journal of Business Ethics*, 161(2), 443–458. <https://doi.org/10.1007/s10551-018-3973-4>
- Gremler, D. D., Van Vaerenbergh, Y., Brügger, E. C., & Gwinner, K. P. (2020). Understanding and managing customer relational benefits in services: A meta-analysis. *Journal of the Academy of Marketing Science*, 48(3), 565–583. <https://doi.org/10.1007/s11747-019-00701-6>
- Gutiérrez, M. M. G., Perona Páez, J. J., & Gutiérrez Bonilla, F. D. P. (2024). Models of Brand Equity: A systematic and critical review. *Cogent Business & Management*, 11(1), 2433168. <https://doi.org/10.1080/23311975.2024.2433168>
- Hair, J. F., Hult, G. T., Ringle, C. M., & Sarstedt, M. (2022). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)* (3rd ed.). Sage.
- Haryanto, B., Gunawan, J. A. P., Fenitra, R. M., & Abbas, A. (2022). The role of culture adoption in moderating the influence of country image, corporate image, Brand Image on brand attitude and purchase intention toward foreign brands. *Inderscience Publishers*, 13(1), 89–108.
- Hassan, S., & Suki, N. M. (2022). Managing customer citizenship behavior in aviation sector through relational benefits: Mediating role of relationship quality. *Frontiers in Psychology*, 13, 917434. <https://doi.org/10.3389/fpsyg.2022.917434>
- Iglesias, O., Markovic, S., Singh, J. J., & Sierra, V. (2019). Do customer perceptions of corporate services brand ethicality improve Brand Equity? Considering the roles of Brand Heritage, Brand Image, and Recognition Benefits. *Journal of Business Ethics*, 154(2), 441–459. <https://doi.org/10.1007/s10551-017-3455-0>
- Kotler, P., & Keller, K. L. (2016). *Marketing Management* (15th ed.). Pearson.
- Kumar, V., Kaushal, V., & Shashi. (2023). Role of customer perceived brand ethicality in inducing engagement in online brand communities. *Journal of Retailing and Consumer Services*, 71, 103184. <https://doi.org/10.1016/j.jretconser.2022.103184>
- Manansala, G., Arasanmi, C. N., & Ojo, A. O. (2024). Does customer's perception of ethicality influence Brand Affect, image and equity in the banking sector? *International Journal of Ethics and Systems*, 40(1), 68–84. <https://doi.org/10.1108/IJOES-05-2022-0112>
- Markovic, S., Iglesias, O., Singh, J. J., & Sierra, V. (2018). How does the perceived ethicality of corporate services brands influence loyalty and positive word-of-mouth? Analyzing the roles of empathy, affective commitment, and perceived quality. *Journal of Business Ethics*, 148(4), 721–740. <https://doi.org/10.1007/s10551-015-2985-6>
- Mehrabian, A., & Russell, J. A. (1974). *An Approach to Environmental Psychology*. MIT Press.
- Pecot, F., Merchant, A., Valette-Florence, P., & De Barnier, V. (2018). Cognitive outcomes of Brand Heritage: A signaling perspective. *Journal of Business Research*, 85, 304–316. <https://doi.org/10.1016/j.jbusres.2018.01.016>
- Rindell, A., & Santos, F. P. (2021). What makes a corporate heritage brand authentic for consumers? A semiotic approach. *Journal of Brand Management*, 28(5), 545–558. <https://doi.org/10.1057/s41262-021-00243-9>
- Sarker, M., Mohd-Any, A. A., & Kamarulzaman, Y. (2021). Validating a consumer-based service Brand Equity (CBSBE) model in the airline industry. *Journal of Retailing and Consumer Services*, 59, 102354. <https://doi.org/10.1016/j.jretconser.2020.102354>
- Sekaran, U., & Bougie, R. (2016). *Research Methods for Business: A Skill-Building Approach* (7th ed.). Wiley.
- Sierra, V., Iglesias, O., Markovic, S., & Singh, J. J. (2017). Does Ethical Image Build Equity in Corporate Services Brands? The Influence of Customer Perceived Ethicality on Affect, Perceived Quality, and

- Equity. *Journal of Business Ethics*, 144(3), 661–676. <https://doi.org/10.1007/s10551-015-2855-2>
- Sürücü, Ö., Öztürk, Y., Okumus, F., & Bilgihan, A. (2019). Brand awareness, image, physical quality and employee behavior as building blocks of customer-based Brand Equity: Consequences in the hotel context. *Journal of Hospitality and Tourism Management*, 40, 114–124. <https://doi.org/10.1016/j.jhtm.2019.07.002>
- Syah, T. Y. R., & Olivia, D. (2022). Enhancing patronage intention on online fashion industry in Indonesia: The role of value co-creation, Brand Image, and e-service quality. *Cogent Business & Management*, 9(1), 2065790. <https://doi.org/10.1080/23311975.2022.2065790>