

Eureka Journal of Business, Economics & Innovation Studies (EJBEIS)

ISSN 2760-4950 (Online) Volume 2, Issue 2, February 2026



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MARKETING INSTRUMENTS AS A STABILIZATION MECHANISM IN DOMESTIC FOOD MARKETS: EVIDENCE FROM EMERGING ECONOMIES

Usmanov Sardorbek Begamovich

Lecturer of the Department of Industry Economics,
Termez State University of Engineering and Agrotechnologies

Abstract

Food price volatility threatens economic stability and consumer welfare in emerging economies. While government interventions are widely studied, the role of marketing instruments in stabilizing domestic food markets remains underexplored. This study examines how price differentiation, supply chain coordination, and retail integration influence food price fluctuations. Using panel data and econometric analysis, the findings show that stronger marketing integration reduces price volatility by improving information flow and moderating demand–supply shocks. The results reposition marketing as a structural stabilization mechanism and provide policy-relevant insights for sustainable food market management.

Keywords: Food price volatility; Marketing instruments; Price stabilization; Emerging economies; Supply chain coordination; Retail integration; Price transmission.

INTRODUCTION

Food price volatility remains one of the most pressing economic challenges in emerging markets. Fluctuations in staple food prices directly affect inflation

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expectations, poverty rates, and social stability. Between 2015 and 2023, many emerging economies experienced repeated food price shocks driven by supply chain disruptions, global commodity volatility, and exchange rate pressures.

Existing research largely focuses on fiscal and trade-based interventions such as export bans, buffer stocks, or subsidies. However, structural market mechanisms — particularly marketing instruments — have received limited empirical attention as endogenous stabilizers of price fluctuations.

Marketing instruments such as supply chain integration, retail consolidation, coordinated pricing strategies, and promotional management can reduce uncertainty, improve information symmetry, and moderate speculative behavior. The central hypothesis of this study is that stronger marketing integration reduces domestic food price volatility by enhancing market coordination and price transmission efficiency.

This study addresses three research questions:

1. Do marketing instruments significantly affect food price volatility in emerging economies?
2. Does supply chain coordination reduce price dispersion?
3. How does retail market integration influence shock transmission?

The paper contributes by reframing marketing from a demand-generation tool to a structural stabilization mechanism.

LITERATURE REVIEW

Food price volatility is typically measured using standard deviation of price growth rates or volatility indices. Prior studies identify key determinants including global commodity prices, exchange rate shocks, and domestic supply constraints.

However, volatility persistence suggests that internal market structures also influence price stability.

Marketing instruments in food markets include:

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- ✓ Price differentiation strategies
- ✓ Branding and retailer power
- ✓ Vertical supply chain integration
- ✓ Distribution channel coordination
- ✓ Promotional intensity

Supply chain coordination theory suggests that vertically integrated systems reduce transaction costs and information asymmetry, which stabilizes prices.

While marketing is widely studied in micro-level performance contexts, its macro-level stabilization role in domestic food markets remains insufficiently explored. Few studies quantify the relationship between marketing intensity and price volatility across countries.

METHODOLOGY

The study uses panel data from six emerging economies over 2015–2023 (54 country-year observations). Data sources include national statistical agencies and international commodity databases.

Variables

Dependent Variable:

- Food Price Volatility Index (FPVI)

$$FPVI_{it} = \sqrt{\frac{1}{2} \sum (P_t - P_i)}$$

Independent Variables: Marketing Integration Index (MII), Supply Chain Coordination Score (SCC), Retail Market Concentration (RMC), Promotional Intensity Ratio (PIR)

Control Variables: Exchange rate volatility, GDP growth, Global food price index

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RESULTS

Table 1. Descriptive Statistics (2015–2023)

Variable	Mean	Std. Dev	Min	Max
FPVI	6.84	2.11	3.20	11.50
MII	0.57	0.14	0.32	0.81
SCC	0.62	0.18	0.29	0.88
RMC	0.44	0.12	0.21	0.67
PIR	0.09	0.03	0.04	0.15
Exchange Volatility	7.12	2.94	2.10	14.60

Significance levels: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

$R^2 = 0.61$

Observations = 54

Marketing Integration Index (MII) shows a statistically significant negative relationship with food price volatility ($p < 0.01$). A 0.1 increase in MII reduces volatility by approximately 0.21 percentage points.

Supply Chain Coordination (SCC) also significantly reduces volatility. Retail Market Concentration demonstrates moderate stabilization effects, suggesting organized retail markets reduce price dispersion.

Promotional intensity is not statistically significant, indicating short-term marketing campaigns do not materially affect volatility.

Table 2. Marketing Integration and Price Dispersion

MII Quartile	Average Price Dispersion (%)
Q1 (Low)	14.6
Q2	11.2
Q3	8.9
Q4 (High)	6.4

DISCUSSION

The results confirm that marketing instruments function as structural stabilizers in domestic food markets.

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Three mechanisms explain this effect:

1. Information Efficiency: Integrated supply chains improve forecasting and reduce uncertainty.
2. Shock Absorption: Retail coordination moderates abrupt demand shifts.
3. Reduced Speculation: Transparent distribution systems limit opportunistic pricing.

Unlike fiscal interventions, marketing-based stabilization does not impose significant public expenditure burdens.

The findings align with supply chain coordination theory and expand marketing literature into macroeconomic stabilization contexts.

CONCLUSION

This study demonstrates that marketing instruments significantly reduce domestic food price volatility in emerging economies. Marketing integration and supply chain coordination emerge as strong stabilizing factors, while promotional intensity has limited structural impact.

By reframing marketing as a macro-stabilization mechanism, this research bridges marketing theory and food policy literature.

Future research should explore:

1. Digital marketing effects
2. Commodity-specific volatility
3. Household-level welfare impacts

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