ECONOMICS | INDUSTRY | THINKING | VALUES

Inside Compensation Plans: The Binary Plan explained…

An explanation of the binary pay plan from a leader experiencing success!

by **Morgan McArthur**

3085 words | 12 pages

Binaries are NOT easy to understand for some. But this network marketing pay plan WORKS for those with proper knowledge and insights.

> ***Binaries are one of the most exciting of all network marketing pay plans.***

Why? Because of the potential huge payout; although there is no other distributor compensation plan that has been the subject of so many myths or misconceptions than the binary plan.

You may have heard a negative comment about the binary plans, like "I don't like binaries."

Myths play a significant role in the personal and corporate life of each culture; they serve a wide range of psychological and social functions. The myths in Network Marketing are no different.

Before you believe myths (or stories) about the binary compensation plan, you should investigate their origins, and you will find that they are rooted in prejudice, superstition, or hearsay.

The purpose of this article is to help skeptical networkers emerge from ignorance of the network marketing Binary Plan and free their minds of wrong concepts. When you open up your mind and learn to understand the binary, you will see why it works so well.

I'll explain in a bit.

But first I'd like to detail some aspects of binary Network Marketing pay plans that you may not be aware of.

> ***In case you didn't already know, binary network marketing pay plans are called binaries because they work with two's.***

Two people on your front line; Get two who get two; two sides. And so on, in other words a binary plan allows distributors to have only two front-line distributors.

If a distributor sponsors more than two distributors, the excess are placed at levels below the sponsoring distributors front-line. This "spillover" is one of the most attractive features to new distributors since they need only sponsor two distributors to participate in the compensation plan.

Binary network marketing pay plans really look like a pyramid when they're filled out. (But this isn't where the pyramid scheme stuff started from.) This compensation plan model is relatively new to Network Marketing. It has only been around perhaps the last couple of decades, to the best of my understanding.

The binary had its unfortunate origins in the early 1990s in fraudulent gold coin programs, and its use later for other questionable products did not help. Those subsequent products were generally high-ticket one-time purchases such as consumer service or travel memberships, travel certificates or overpriced prepaid phone cards. By the end of the 1990s, and after many legal challenges, the binary was not held in great favour.

Critics charged that the implementation of binary plans brought on legal and business problems. Companies and distributors tended to promote the plan rather than the product, creating accusations of a "money game."

Often plans had a one-time sale requirement which created a something-for-nothing atmosphere and appearance of payment for headhunting recruitment. This is where the binary plan got its bad reputation. Today this is different, just make sure though, that when you join a company with a binary plan that it is a company that promotes the twelve important characteristics to look out for when choosing a compensation plan. These characteristics will be covered a little later in this article.

But this bad rep doesn't make binary network marketing pay plans any less lucrative for those who work them correctly.

I'll explain.

A binary MLM pay plan has two sides because a person is only allowed to have two people on their first level beneath them. And this is the same for their two people and those people's people. And so on.

The primary limitation is that distributors must "balance" their two downline legs to receive commissions. Balancing legs typically requires that the number of sales from one downline leg constitute no more than a specified percentage of the distributor's total sales.

Since you can only sign two people directly under yourself, you end up with a structure that has two "legs" — two spots that in turn have all the other spots under them.

In any given pay period, the two legs will likely be unequal (one will have generated more sales than the other). A binary system pays based on the volume of the weaker of the two legs. There is usually some mechanism to carry the unused volume of the stronger leg forward to the next pay period.

Even though this structure encourages spillover (that is, you will likely have people placed under you by your upline), those people generally end up in one leg, and you must balance that volume with recruits of your own (in your other leg) in order to benefit from that spillover.

Don't be fooled by "spillover". Although there is more potential for this to occur with a binary, it only really happens when you fully understand where you are being placed, and demand to be placed in the "power leg" or "outside leg".

Another aspect of binary Network Marketing pay plans is this concept of every binary having what's called a 'powerleg' in it. This powerleg is the very outside downward line of distributors making up each of the many pyramid shapes in one's organization.

Let me give you an example...

Say you are in the left powerleg of the company's biggest binary group. You have 168 people in your group so they're all beneath you and your first two people.

Some are on your left side with the remainder on your right side. They are positioned throughout your organization in a varied layered approach but no matter what — you have every position in your outer two sides filled. Why?

> ***Because this is just the nature of the binary network marketing pay plan. The outside two 'legs' are filled up automatically no matter what.***

You have two people on your first level, four on your second, eight on your third, and so on...

So the two on your first level, the outside two on your second level and the outside two on your third level, and so on, make up your powerlegs — which, in this example, your left powerleg is part of the binary network marketing pay plan company's biggest binary group's powerleg.
So what happens then? This...

Every person in the left outside side of your pyramid shaped organization

benefits from having all the other left outside powerleg people above them.

And why is this?

Because all those people above them in this shared outside leg most likely have their two first positions filled on their frontline level so they're automatically forced, by the company, to put their next person on their outside left or right leg.

And when they are forced to put a person on their left powerleg, which is shared with you, that person is placed beneath you and everyone in your left side organization leg.

This placement of people beneath you in your powerleg, shared with those above you, is called… 'Spillover'.

The most hidden, overlooked, or never revealed aspect of binary network marketing pay plans is that spillover only occurs into powerlegs and NOWHERE ELSE

At least I haven't heard of it occurring elsewhere.

So all these heavy hitters above you are only having their new recruits being placed in your left powerleg that is shared with them. Not in your left side outside of your powerleg. Not in your right powerleg. Not in your right side outside of your powerleg. *Nowhere else.*

And they have no control over this because it is all usually done automatically by the company and special software they have to figure out this powerleg placement.

So, since these new recruits most likely aren't getting placed in the right side of your organization how does this right side get built?

By you!

You can't join, sit back, relax and expect the big buck checks to come rolling in because your binary network marketing pay plan has 'spillover'. You have to actually get people to join with you and then place them on the right side of your binary.

In most cases you'll only get asked by the company "left side or right side" when you call them to sign up that new distributor. And you would say "right side placement please".

So, what would it matter that you have this spillover occurring if you are not able to recruit anybody into your network marketing organization? You wouldn't make any money because you need organizational balance. You don't benefit anything without that. You'd eventually quit. And that's what most people do.

They get entranced with this binary network marketing pay plans concept of spillover. They imagine themselves as having found the easy way to network marketing riches.

They join. They talk to a few people they know and maybe get a couple of small paychecks. And then it all cools down as far as the growth goes.

Eventually they get tired of shelling out good money for products or services every month and they quit. Very typical.

Powerlegs and spillover, in my opinion, is just a very nice added bonus to this payment plan, but it is* not *the be all and end all of this pay plan.

I personally was not placed on a powerleg when I joined *Innerlight*, and ever since joining I have not incurred much spill over, I built my own two

legs myself and have had great results with this plan.

What I say to people who are not placed on a powerleg is, yes its nice if one is placed on a powerleg because of the spillover, however don't let it get to you if you are not on a powerleg, as long as you are with a reliable company with great products, strong leadership, management and a big enough desire to own your life.

> ***Success with network marketing will happen for you with or without a powerleg.***

Remember you will be creating your own powerlegs for the distributors under you, which will create momentum for *your* organization, just be sure to sign your distributors up in a powerleg.

Here is some more valuable information about binary plans.

> ***Payment in a binary plan is volume driven rather than level driven.***

Sales volume must be balanced in the two legs to be eligible for commissions, which are paid at designated points when target levels of group sales are achieved.

Payment in binaries is often on a weekly basis

Proponents of binaries cite various advantages. First, people like the weekly payout. Second, since it is a series of two leg matrices, it is simple to explain. Finally, group cooperation is promoted because payout is on group volume and requires balancing of volume in each leg to be eligible for payout; it also encourages duplication and support from the upline.

Following these twelve characteristics with a binary plan can be very much to your advantage— When choosing a company to join, the most

important factor is not the type of compensation plan, but whether that plan is achieving important goals for distributors.

Alfred White, senior management consultant at San Diego-based Hamilton LaRonde & Associates, Inc. recommends evaluating each company you are considering against the following characteristics of a good compensation plan:

1. Is it easy to enter into the opportunity? You should only have to buy a modestly priced sales kit.

2. Are you rewarded primarily for direct sales, rather than for override commissions?

3. Are you rewarded for personally sponsoring others?

4. Are you rewarded for recruiting multiple levels?

5. Is the focus on selling products to the end consumer, rather than to your downline?

6. Are you rewarded for training and supporting your downline?

7. Are you rewarded for high personal volume?

8. Are you rewarded for high group volume?

9. Are you rewarded for maintaining a monthly volume?

10. Does the plan provide for recognition?

11. Does the plan offer non-monetary rewards and incentives, such as trips or cars?

12. Is the plan's monthly maintenance requirement reasonable— not so high that you can never achieve it, and thus never receive compensation?

Conversely, here are some compensation plan characteristics that should send you running in the opposite direction:

- A plan that does nothing to discourage deadweight distributors and non producers.
- A plan that encourages inventory loading or large investments in products.
- A plan that emphasizes gimmicks rather than product sales.

My company's specific binary plan is that it pays out in seven different ways which makes it very attractive.

When looking at a binary plan payout structure, be sure it pays out at least four different ways:

- Retail Profits - The difference between wholesale and retail price

- Preferred Customer Profits - Preferred Customers purchase at a specific % discount and you receive the difference between the wholesale and Preferred Customer price.

- Volume Commissions - 10% of the developing, or weaker team's daily volume.

- Management Bonuses - A certain % match on each of your enrollee's
commissions.

The percentages can vary depending on how the plan is structured, this dramatically increases the level of support one gets from one's sponsor, and increases your cheque. When a sponsor is going to get paid commission you get paid on, they tend to try a little harder to get you paid.

Then depending on the company, some offer a Global Leadership Pool, which is a % of world wide sales volume shared amongst higher ranking distributors within the company, this can be very lucrative bonus cheque given every quarter or year by the company.

The income you receive from a well paid out binary plan will be in direct

proportion to your ability to promote the companies products to your customers, as well as your ability to build an organization of distributors who, like you, promote to their customers and build an organization of distributors.

> ***Remember it's not just about recruiting and sponsoring people into your business, but also the promoting of product to end users.***

The sale of a line of products is the foundation and heart of a legitimate network marketing business. First of all, if no product is being sold and distributed, the business exists on paper only and is dangerously close to the definition of a "pyramid scheme." Network Marketing is not a scam. It is a legitimate form of business and as such, can be counted on to deliver long-term growth and a stable income, provided that it follows the basic principles of any business— that products or services are delivered and payment received.

The legality of a network marketing opportunity has little to do with the design of their compensation structure and everything to do with the motivation for buying their products.

To reiterate, there are 3 common reasons why the binary (MLM) plans are quite attractive to both distributors and companies:

1. The "spillover" concept attracts new distributors because technically, they can receive commissions by sponsoring only two distributors and let uplines (those who signed up earlier) do the "spillover" for them.

2. Binary plans are quite simple to understand. This allows distributors to duplicate their effort easier, a necessary tool to succeed in network/multilevel marketing.

3. Binary plan offers fast-paced growth opportunities, which attract the segment of our population who wish to "get-rich-quick". It is

said that there are only two types of motivation— greed or service to humanity. Binary offers a potentially quick way to make money while providing a "service" that allows recruits to earn from the same method.

Given the above, it is understandable that more and more companies have adopted the binary compensation method to attract new distributors

When deciding on which Network Marketing company to join, keep a few things in mind:

- Is the company established? How long have they been around?
- How does the compensation plan fit in to your lifestyle? Does it emphasize selling (sharing product), recruiting, (sponsoring) both?
- What is the product/service being sold? The more passionate you are about the product/service you are providing, the easier it will be to succeed.
- A company that is right for one person may not be right for another.

Take your time when deciding— this is a BUSINESS, and it is YOUR business.

Do not let anyone pressure you into signing on the dotted line. If they truly believe in their company and the industry, they will wait until you are ready to make a firm commitment.

Every type of compensation plan— be it binary, matrix, unilevel, or breakaway, has its advantages and disadvantages. Each provides its own unique income generating benefits, and each has its own unique challenges. There is no perfect compensation plan. The binary plan is no exception. Having said that, one of the challenges specific to the binary is *NOT* its legality, in spite of the rampant rumors and prognostications that pervade the industry (mostly via internet message boards - now there's a reliable source of information) to the contrary!

At least if you join or are in a binary Network Marketing pay plan you now know what the real deal is going down and you aren't going into it or doing it blind. You're informed and you know more than the vast majority of people who do join these binary network marketing pay plans.

Remember, by doing your research and learning all you can about the differing Network Marketing pay plans, you can get more informed without first getting beat up out in the real world of network marketing and network marketing pay plans.

I hope this binary Network Marketing pay plans information was helpful

---

Morgan McArthur had no business background or previous involvement with network marketing before joining the industry with his current company, Innerlight. Since joining Innerlight he has never looked back.

Upon first joining the industry he working the business part time, Morgan gave up his full time job a year later to do the business full time.

Today Morgan McArthur is one of the leaders within Innerlight in Europe. Morgan is based in London.

Website: http://www.WhyInnerLight.com
Email: mmc@innerlightinc.com
Tel: +44 (0) 207 231 7983