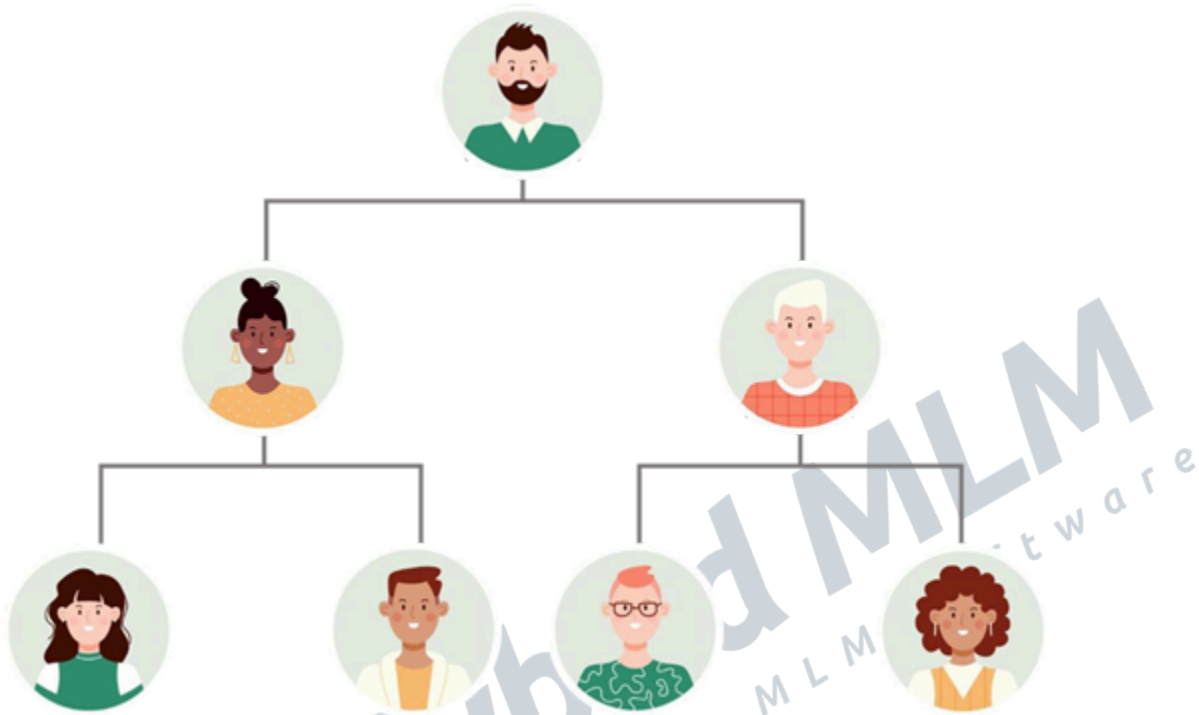# Binary MLM Plan

The Binary MLM Plan is a structured and balanced network marketing system where distributors build two legs—referred to as the left leg and the right leg. Within these legs, one typically becomes the power leg (the stronger leg with higher sales volume), while the other is the weaker leg (the leg with lower sales volume). Earnings are primarily calculated based on the sales volume of the weaker leg, encouraging distributors to focus on balanced growth between their left and right legs for stability and fairness.

In addition to binary commissions, which are calculated based on the weaker leg's sales volume, the plan often includes other typical forms of commissions. These additional commissions can be distributed alongside the binary commission, providing distributors with multiple streams of income and further incentivizing network growth. This holistic approach ensures that distributors have various opportunities for earnings, driving both short-term and long-term success.

Key Terms in Binary MLM Plan

1. Left Leg and Right Leg: The two sides of a distributor's network in the binary structure. Each distributor builds and maintains these two legs for commission eligibility.

2. Balance: The concept of maintaining equal or proportional sales volume between the left and right legs, often required to maximize earnings.

3. Weak Leg: The leg with lower sales volume. Commissions are typically calculated based on the performance of this leg.

4. Power Leg: The leg with higher sales volume or growth, typically built with contributions from the upline and team effort.

5. Carry Forward (or Roll Over): Unused sales volume from the stronger leg (or both legs) that can be carried forward to future payout periods.

6. Binary Cycle: A defined commission period or cycle during which sales volume and balance are calculated for payout.

7. Spillover: When a distributor's upline places new recruits into one of their legs, aiding the distributor in building their network.

8. Capping (or Ceiling): The maximum commission or earnings a distributor can receive within a specific period, ensuring system stability.

9. Binary Tree: A visual representation of the distributor network in the binary structure, displaying left and right legs.

10. Flushing: The process of resetting unused volume if it exceeds the capping limit or isn't carried forward, depending on the plan's rules.

11. Personal Volume (PV): The sales volume generated directly by a distributor's own purchases or sales, often a requirement for commission eligibility.

How the Plan Works

In the Binary MLM Plan, each distributor builds a network by recruiting members into two legs, referred to as the left leg and the right leg. New recruits are placed in one of these two legs, either directly by the distributor or through spillover from the upline. This structure encourages teamwork and collaboration within the network.

Commissions are calculated based on the sales volume generated in the weaker leg, promoting balance between the two legs. As distributors continue to grow their network, they earn income through cycles or matching bonuses, ensuring steady growth and reward for their efforts.
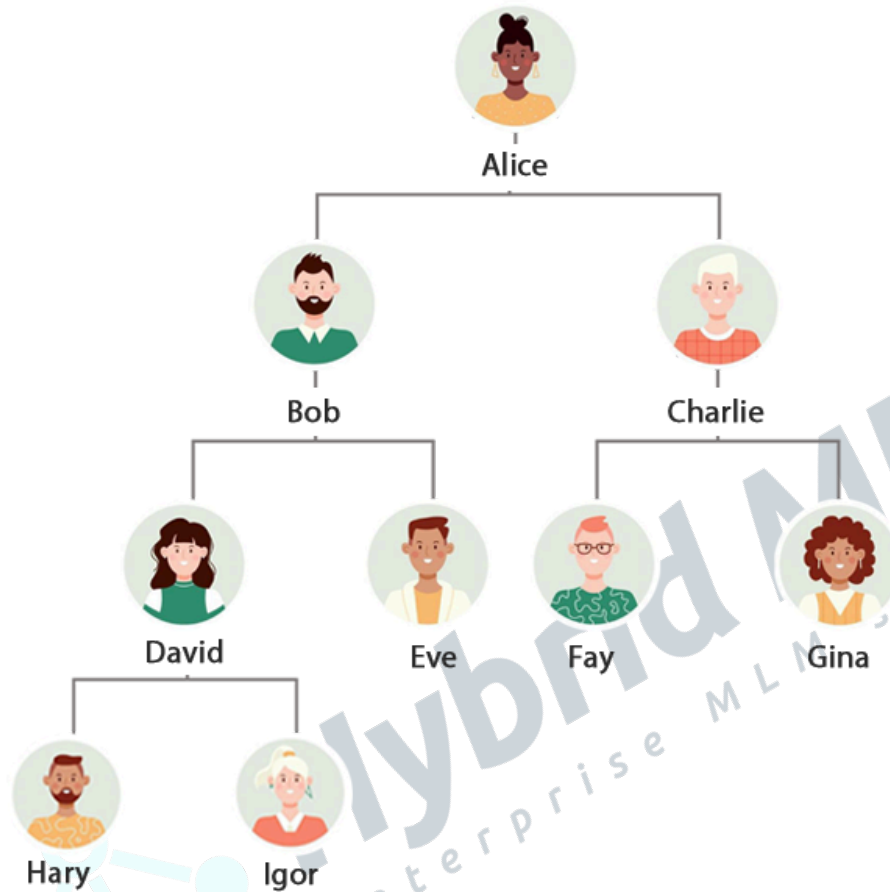
Example:

- ○ Level 1: Bob (left leg) and Charlie (right leg) are Alice's two direct recruits.

- ○ Level 2: Bob recruits David and Eve. David is placed in Bob's left leg, and Eve is placed in Bob's right leg. Similarly, Charlie recruits Fay and Gina, placing Fay in his left leg and Gina in his right leg.

- ○ Level 3: If David recruits Harry and Igor, they will be placed in David's left and right legs respectively, forming part of Alice's Level 3 in her binary network.

Spillover Example:
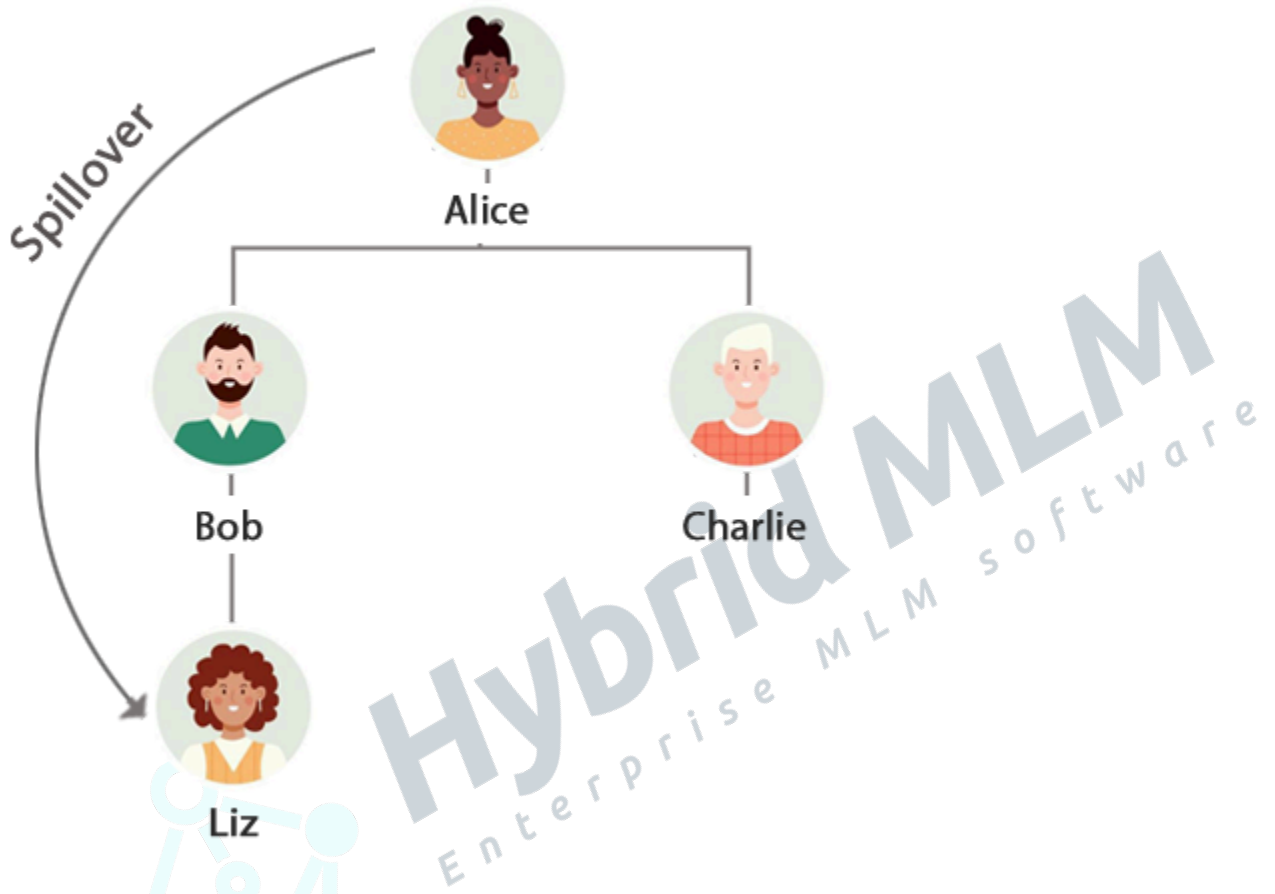
Splillover | Binary structure

Sponsor Tree
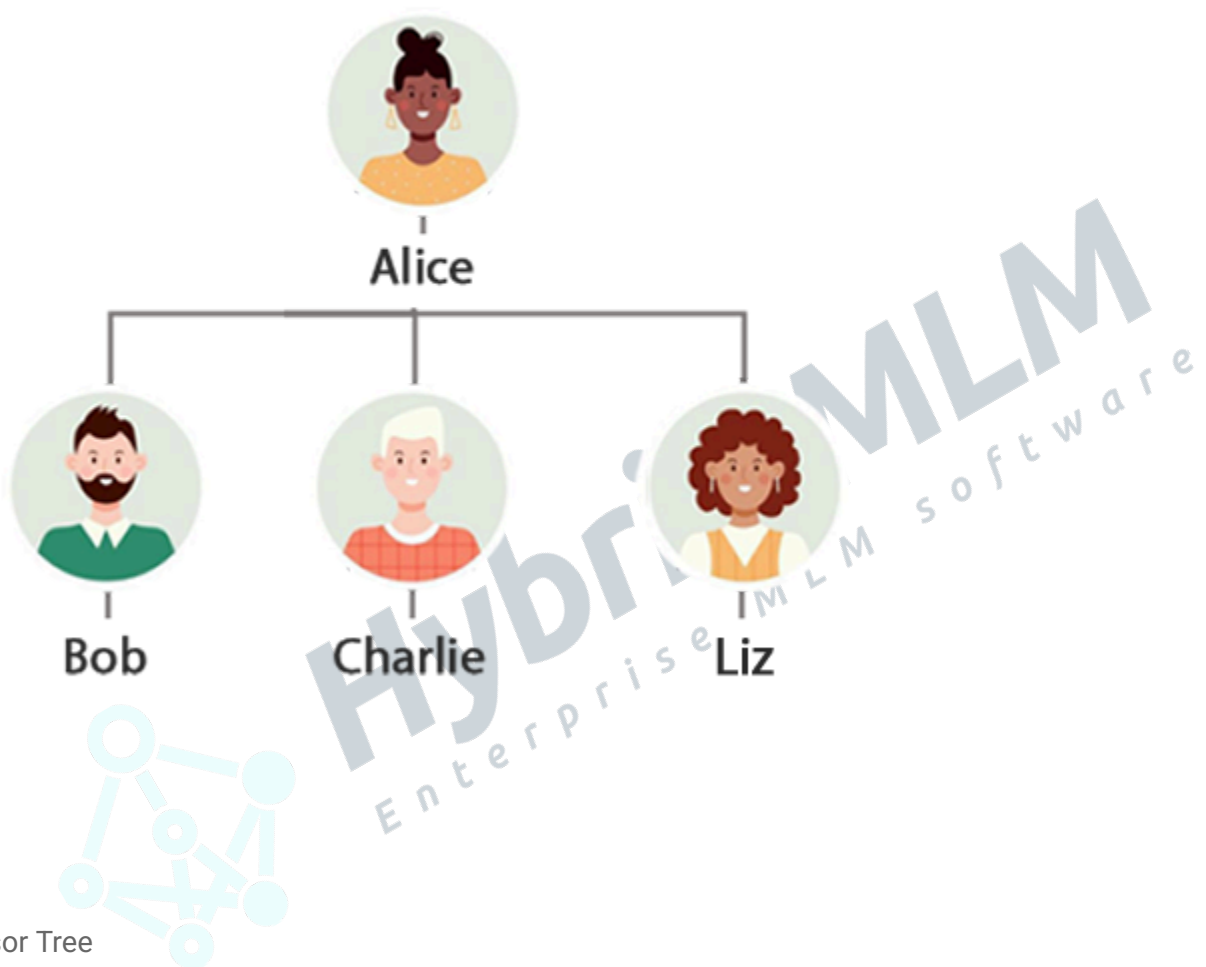
- ○ Suppose Alice's upline, who has already filled their own left and right legs, decides to place a new recruit, Liz, into Alice's network. Since Alice has room in her left leg, Liz is placed under Bob's leg, helping to fill the left leg of Alice's team. Liz, while not directly referred by Alice, is placed due to spillover, contributing to the overall growth of Alice's left leg.

Commissions for Alice are calculated based on the sales volume generated in her weaker leg (either Bob's or Charlie's leg), encouraging her to help both legs grow evenly. In this case,

spillover from her upline aids in growing one leg, while Alice still needs to manage the other leg to balance her network.

How the team build in binary

○ Referring Own Users: As a distributor, you start by recruiting your own direct members, placing them into your left leg and right leg. These are your personal recruits, and their sales volume will directly contribute to the overall performance of your network. If a position in either leg is already filled, the new recruit will spill over into your downline, helping to grow your network with minimal effort.

○ Users You Referred Refer New Users: After recruiting your initial members, these individuals can also begin to recruit new users of their own. These recruits are placed in the left or right leg of your team, depending on how the network grows. As your downline recruits new members, the network continues to expand. You earn commissions based on the sales and placement of these new recruits, especially when they are placed in the weaker leg.

○ User Comes as Spillover: Spillover occurs when someone higher up in the network (your upline) has already filled both their left and right legs and is unable to place new recruits directly under them. When this happens, the upline places new recruits into the downline's available positions. These spillover members are placed under your left or right leg, often in your weaker leg, which helps to balance your network and contribute to your growth. Even though these recruits are not directly referred by you, you still benefit from their sales volume, particularly if they are placed in the weaker leg.

How positions filled in binary

In the Binary MLM Plan, when a distributor decides to place a new recruit in either the left or right leg, and the direct position in that leg is already filled, there may be existing teams under the already occupied positions. In this case, the following rules determine where to place the new recruit within the distributor's tree.

○ Left to Right: If the distributor's chosen leg (left or right) is already filled, the system will look for the next available position under the already occupied position. The new recruit

will be placed in the next available spot sequentially from left to right down the tree, filling any open position that exists under the original placement. This ensures that the spillover will not go to a particular user but will be assigned evenly across available spots in the tree.

- ○ Left Most/Right Most: If the chosen leg is filled and there are multiple levels in the tree under the already occupied position, the system will look for the leftmost or rightmost vacant position in that leg. The recruit will be placed in the outermost available position, either on the leftmost or rightmost side of the tree. By doing this, only one leg will be filled by this spillover to the downline, while the other leg should be managed by the distributor and their recruits.

These rules help ensure that positions are filled efficiently, even when a distributor's chosen leg is already occupied. The key principle is to maintain balanced growth by filling positions in the most effective way possible, ensuring that the binary structure remains organized and conducive to the expansion of the network.

How to decide position of a new user

- ○ Using Separate Referral Links: In this method, there are two separate referral links—one for the left leg and one for the right leg. The new recruit will be placed in the leg corresponding to the link they use to sign up. If the new user uses the referral link for the left leg, they will be placed in the left leg, and if they use the referral link for the right leg, they will be placed in the right leg. This method ensures that the position of the new recruit is determined based on the referral link chosen by the sponsor or the recruit.

- ○ Using a Holding Tank: The new recruit will be placed in a holding tank, where they remain temporarily before being assigned to the binary tree. The sponsor can manually assign the recruit to either the left or right leg after evaluating which leg is weaker. This allows the sponsor to make a strategic decision based on the current structure of the network. If the sponsor does not manually assign the position, the system will automatically place the new user based on the sponsor's default placement option.

- ○ Setting a Default Option in Profile (Binary Default Position): Sponsors can set a default position for new recruits within their profile. This option, named "Binary Default Position," includes settings such as "Right," "Left," "Balanced," or "Alternative." Once the default

position is set, the system will automatically place any new recruits based on the chosen option. This allows for consistent and automated placement, minimizing manual intervention.

These three methods provide different ways to decide the position of new recruits within the Binary MLM Plan, giving both sponsors and the system the ability to manage team structure effectively.

Now, let's consider how commissions work

Referral commision

In the MLM plan, Referral Commission is earned by a distributor when they personally refer or recruit new members into the network. The distributor earns a one-time commission based on the enrollment or purchase made by the new recruit. This type of commission rewards distributors for bringing in new customers or team members.

How it Works

- When a distributor recruits a new member, they earn a commission based on the new recruit's enrollment fee, product purchase, or initial investment. This commission is often a percentage of the recruit's first purchase or enrollment.

- Referral commissions are typically paid once, at the time of the new recruit's sign-up or purchase.

Referral Commission Amount

- Referral Commissions can vary depending on the company's compensation structure. They are usually a fixed percentage of the new recruit's initial purchase amount or a flat fee.

- The amount may differ based on the product or service sold, the new recruit's package, or other factors defined by the company.

Example

- Example 1: Alice recruits Bob, and Bob pays a $100 enrollment fee. Alice earns a Referral Commission of $20 (20% of Bob's fee) as a reward for bringing him into the system.

○ Example 2: If Alice recruits Charlie, who buys a product worth $500, Alice might earn a Referral Commission of $50 (10% of Charlie's product purchase).

Purpose

○ Referral Commissions are designed to incentivize distributors to actively recruit new members into the network. This commission type rewards distributors for their efforts in expanding the network, which is the foundation of the MLM business model.

○ These commissions encourage active recruitment and help distributors see immediate rewards from their recruiting efforts, motivating them to continue building their network and increasing their earning potential.

Sponsor – Based level commission

Even if the structure follows a binary tree, the sponsor-based unilevel structure is maintained for commission distribution. Sponsor-Based Level Commission is optional and not a compulsory component of every binary MLM plan. This ensures that distributors are rewarded for the sales volume or commissions generated by their direct recruits and the subsequent levels of their downline. This approach aligns commissions directly with the sponsor tree rather than the binary placement.

How it Works

○ Direct Recruit Earnings: When a distributor recruits a new member (direct recruit), they earn a percentage of the sales or commissions generated by that recruit.

○ Earnings from Downline Levels: Distributors also earn commissions from the sales made by the recruits of their direct recruits, forming a multi-level structure. The commission percentage typically decreases as the levels go deeper.

○ Sponsor Tree Basis: Despite the use of a binary tree for organizational purposes, Sponsor-Based Level Commissions are calculated based on the sponsor tree, which is directly linked to who recruits whom.

Sponsor-Based Level Commission Amount

•Percentage Allocation: Commissions are paid based on a fixed percentage or a flat amount of the sales or commissions generated by direct recruits and their downline members. These percentages or flat amounts generally decrease as the levels increase.

Example Percentages:

- Level 1 (Direct Recruits): 10% or a flat $100

- Level 2 (Recruits of Direct Recruits): 5% or a flat $50

- Level 3 (Third Level Downline): 3% or a flat $30

Example

Example 1:

- Alice recruits Bob, who generates $1,000 in sales.

- Alice earns 10% of Bob's sales = $100.

Example 2:

- Bob recruits Carol, who generates $500 in sales.

- Alice earns 5% of Carol's sales = $25.

Example 3:

- Carol recruits Dave, who generates $300 in sales.

- Alice earns 3% of Dave's sales = $9.

Purpose

Sponsor-Based Level Commissions are designed to:

- Reward distributors for recruiting and mentoring new members.

- Encourage sponsors to actively support their downline.

- Promote the overall success and growth of the team.

Binary commission

In the Binary MLM Plan, Binary Commissions are earned based on the sales volume generated in a distributor's two legs—left leg and right leg. The distributor typically earns commissions by balancing these two legs and is rewarded for the sales volume generated in the weaker leg which is also known as pay leg.

How it Works

○ Distributors earn Binary Commissions when their network's sales volume is balanced between the left and right legs. The company calculates the total sales volume in both legs, and the distributor is paid a percentage of the sales from the weaker leg.

○ Usually, a certain amount of sales volume needs to be accumulated in both legs before commissions are paid. The weaker leg determines how much commission the distributor can earn in a given cycle.

Binary Commission Amount

○ Binary Commissions are typically paid as a percentage of the sales volume from the weaker leg. For example, a distributor might earn 10% of the sales volume in their weaker leg.

○ Alternatively, binary commissions can also be calculated based on the sales count. In this approach, a fixed amount is distributed for each sale in the weaker leg, offering a straightforward and predictable payout structure. This method provides flexibility for companies to align commissions with their sales strategies while maintaining simplicity in the calculation process.

Example

○ Example 1: Alice has built her network with Bob in her left leg and Charlie in her right leg. Bob generates $1,000 in sales, while Charlie generates $1,500. Since Alice's left leg is the weaker leg, she earns a percentage of the sales volume in that leg. If the commission rate is 10%, Alice would earn $100 (10% of $1,000) as her Binary Commission. The remaining $500 from the power leg (Charlie's sales) will be carried forward as a balance

to the next payout cycle, ensuring that the excess sales volume in the stronger leg is not wasted and can contribute to future earnings.

- ○ Example 2: If Alice's left leg generates $2,000 and her right leg generates $1,500, the right leg becomes the weaker leg. Alice would earn a Binary Commission based on 10% of $1,500, which would be $150

Purpose

- ○ Binary Commissions are designed to encourage distributors to build balanced teams with equal effort on both the left and right legs. By rewarding distributors for balancing their sales volume, this commission type motivates them to ensure that both legs of their binary tree grow consistently.

- ○ This system also creates fairness in terms of compensation, as it ensures that distributors are rewarded based on their ability to grow both legs effectively, rather than simply focusing on one leg.

- ○ As the team works hard and both legs grow, distributors can generate passive income. Over time, the efforts put into building and maintaining the binary tree structure can lead to consistent earnings, even without direct active involvement, as long as the team continues to perform well.

Matching Bonus

In the Binary MLM Plan, the Matching Bonus is earned based on the binary commissions earned by a distributor's downline. The sponsor or upline distributor can earn a percentage of the binary commissions earned by their direct recruits and, in some cases, even their indirect recruits, depending on the compensation structure.

How it Works

- ○ When Alice's recruits (such as Bob and Charlie) earn binary commissions from their network sales, Alice can earn a Matching Bonus based on the binary commissions earned by Bob and Charlie.

○ The Matching Bonus is distributed to the upline based on the sponsor-based tree, meaning the bonus is allocated according to the sponsor relationships, not the binary leg structure.

Matching Bonus Amount

○ The Matching Bonus is often a percentage (e.g., 5% to 20%) of the binary commissions earned by Alice's direct recruits (and, in some cases, up to several levels of indirect recruits).

○ The bonus structure can vary, with some companies offering higher matching percentages for direct recruits and lower for those further down the sponsor tree

Example

Example 1:

○ Alice recruits Bob, and Bob earns $200 in binary commissions from his network.

○ Alice, being Bob's sponsor, receives a Matching Bonus of $20 (10% of Bob's binary earnings).

Example 2:

○ Alice also earns a matching bonus from the second level, where Bob recruits Dave, and Dave earns $100 in binary commissions.

○ Alice might earn a smaller matching bonus, say 5%, from Dave's earnings, which would be $5.

Purpose

○ Matching Bonuses are intended to incentivize sponsors to help their downline succeed and grow. By rewarding sponsors with a percentage of their downline's binary earnings, this bonus encourages sponsors to actively support and mentor their recruits.

○ This type of bonus fosters a collaborative environment where both the sponsor and the recruit benefit from the success of the downline, promoting teamwork and network growth within the Binary MLM Plan.

○ The Matching Bonus is distributed to uplines based on the sponsor tree, ensuring that rewards flow through the sponsor relationships, not the binary leg structure.

Rank / Rank Advancement Bonus

A rank in an MLM plan refers to the distributor's level or position within the network based on their performance, such as sales volume, recruitment, or the number of people they've sponsored. Rank advancement may also consider the weaker leg volume, where a distributor's progress to higher ranks is influenced by the sales volume generated in the weaker leg of their binary structure. As distributors meet specific criteria (like sales, recruitment, or weaker leg volume), they advance through different ranks, such as Associate, Manager, Director, or Executive.

Rank Advancement Bonus Amount

The Rank Advancement Bonus is a commission or reward given to a distributor when they achieve a new rank within the MLM structure. This bonus is designed to motivate distributors to work harder to progress through the ranks, often rewarding them with a one-time bonus or a percentage of sales once they hit a new rank. In many cases, rank advancement is influenced by the volume in the distributor's weaker leg, encouraging balanced team growth.

Example

Let's say Alice is a distributor who joins the Binary MLM Plan. She builds her network by recruiting Bob and Charlie, placing Bob in her left leg and Charlie in her right leg.

○ Level 1: Bob (left leg) and Charlie (right leg) are Alice's two direct recruits.

○ Level 2: Bob recruits David and Eve. David is placed in Bob's left leg, and Eve is placed in Bob's right leg. Similarly, Charlie recruits Fay and Gina, placing Fay in his left leg and Gina in his right leg.

○ Level 3: If David recruits Harry and Igor, they will be placed in David's left and right legs respectively, forming part of Alice's Level 3 in her binary network.

As Alice advances through the ranks, the weaker leg volume also becomes a factor in her rank progression:

- ○ Alice achieves the rank of Manager after meeting the required sales, recruitment targets, and the sales volume generated in her weaker leg. Alice's weaker leg could be the left leg (with Bob's recruits), and after meeting the volume threshold, she earns her Rank Advancement Bonus of $500 as a reward for reaching this milestone.

- ○ Bob, as Alice's direct recruit, achieves the rank of Executive after his weaker leg (possibly the right leg with recruits Eve and Fay) reaches the necessary volume. His Rank Advancement Bonus might be larger, such as $1,000, reflecting his success and network growth. Alice, as Bob's sponsor, may also receive a portion of this bonus, depending on the company's structure.

Purpose

The Rank Advancement Bonus encourages distributors to strive for higher achievements and develop their network. By rewarding distributors for reaching higher ranks, it promotes long-term commitment, motivates performance, and fosters a sense of accomplishment. Including the weaker leg volume in rank determination further ensures that distributors focus on balancing their network for sustained growth.

Note: The level commission can also be customized using rank, meaning higher-ranked distributors can earn level

commissions from more levels or at higher rates, incentivizing them to grow their network and reach higher ranks.

Methods to Prevent Overpayment

As explained above, binary mlm plan have their own advantages. However, one drawback is that, once the team is built, even if the customer is inactive, there are still possibilities to earn. In a very deep tree structure, since the company must pay many users, there is a chance for overpayments. To prevent such overpayments, the following techniques are used in the binary system.

- ○ Capping/Ceiling : Capping involves setting limits on earnings, such as weekly, monthly, or other time-based caps, so that distributors cannot earn beyond a specified threshold. These caps can be user-based and customized according to factors such as rank, package, or other criteria. For example, higher-ranking distributors may have higher capping limits, or different package levels may come with varying earning potentials.

- ○ Minimum Activity Requirement : Even when a team is built, a minimum self-purchase requirement can be set, meaning the distributor must make a minimum purchase to remain eligible to earn commissions. This ensures that the distributor remains active and maintains a certain level of activity within the system before they can receive earnings.

- ○ Minimum Direct Referral Requirement : Due to the spillover effect, where the tree can extend automatically, setting a minimum number of direct referrals is necessary for a distributor to qualify for earning commissions. This ensures that distributors are actively building their own network and not solely relying on spillover from upline members.