Binary MLM Plan

A Complete Guide

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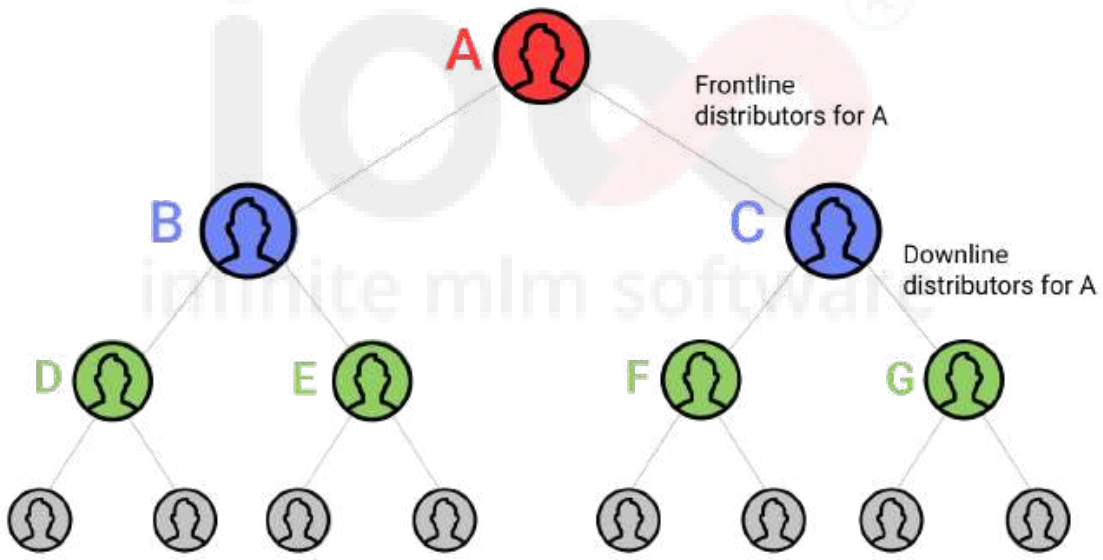
Binary MLM Plan - Introduction

The Binary MLM compensation plan is a well-known network marketing plan. And, in general, the jury is evenly split on how the plan is received. Distributors are either enthusiastic about the plan's unique rules and techniques or annoyed by its lack of flexibility. Still, along with the matrix and unilevel plans, it is one of the three basic compensation plans and has helped a lot of businesses succeed. Continue reading to learn more about the Binary MLM Compensation Plan and the benefits and drawbacks of implementing it in your business.

Structure of Binary MLM Plan



A binary compensation plan is relatively easy and convenient when compared to other MLM plans. A member's front line is limited to two downlines in a binary plan, but the depth is limitless. This implies that in order to start earning, each member just needs to recruit two "front line" representatives.

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Spillover occurs when a member recruits more than two individuals. The spillover members are arranged in levels below the front-line members. A two-leg downline of two-by-two levels is developed as distributors are recruited and the binary structure fills in. The amount of levels that can be included in a binary MLM compensation plan is unlimited.

Working of Binary MLM Plan

Binary MLM compensation plan are straightforward to understand, making it much easier to recruit new members to the network. Instead of a percentage of sales for multiple levels of representatives, a representative is compensated based on the sales volume generated in each of the legs. Only the "pay leg," which is the lower-earning leg, is used to calculate commissions. The other leg which generates more income is called the "reference leg".

Distributors of binary networks have an incentive to build out both legs and operate as a team across the two legs to optimize income because income and commissions are based on the lower-earning leg. Members can get the most out of their whole downline when sales are more evenly distributed between the two legs. Sponsors would have no motivation to focus on the lower-earning leg if commissions were decided based on the higher-earning leg, causing sales and recruiting to stagnate eventually.

The binary compensation plan allows MLM companies to better monitor their growth while also estimating commissions and incentives more precisely. Typically, MLM businesses would set a commission cap for each level of distributor earnings in the pay leg by defining a set commission percentage.

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Pros of the Binary MLM Plan

- Opportunity to maximize sales productivity.
- Enables members to recruit new representatives and strategically balance spillover.
- Potential for rapid growth.
- Easy for new recruits to understand the commission structure, get engaged, and start earning.
- Representatives benefit as new representatives come on board.
- Inspires teamwork.

Cons of the Binary MLM Plan

- Profit margin depends solely on the downline team remaining active.
- Keeping the legs balanced and high-producing can sometimes be a challenge.
- If the gap between legs is allowed to get too wide, recruiting could become difficult.

Different Scenarios in a Binary Plan

Before we have a look at the different scenarios in a binary plan, there are some terms you need to know. The **sponsor** is the distributor who introduces the new member to the binary network. The **parent** is the distributor, who is the direct upline of the new member.

Guidelines for Spillover

Spillover can be done in many ways as per the preference of the company, but generally spillover has a framework when admitting new joinee to the genealogy tree.

Normally by default new joinees spilled over are placed at extreme left and the next spilled over joinee is placed to the extreme right. Then further spilled over joinees are placed in the extreme left again and then to the extreme right, and this sequence goes on by filling positions in the extremes left and right positions of the genealogy tree.

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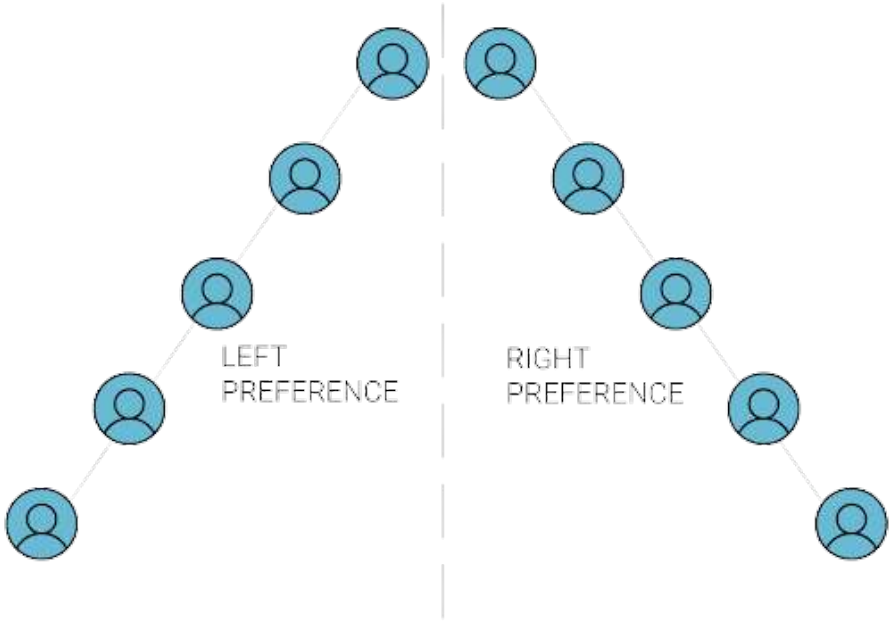
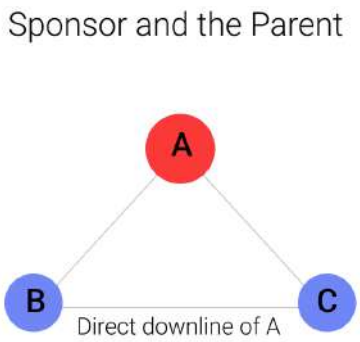


As per the sponsor preference or the owner privilege, the new members can be added to any available position in the binary plan.

Listed below are a few of the scenarios that can happen when sponsors place new Joinee at different positions in the genealogy tree.

1. The Sponsor & the Parent of downlines are the same



If a distributor X sponsors A and If A introduces a new member B to the left leg of A in the binary tree, then B is the direct downline of A. If again A sponsors a new member C, then it is added to the right of A since it was the vacant position.

Now B, C are the direct downlines of A. A is the sponsor as well as the parent of B, C.

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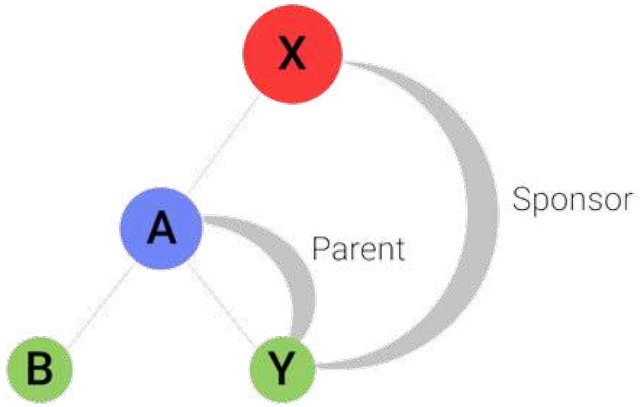
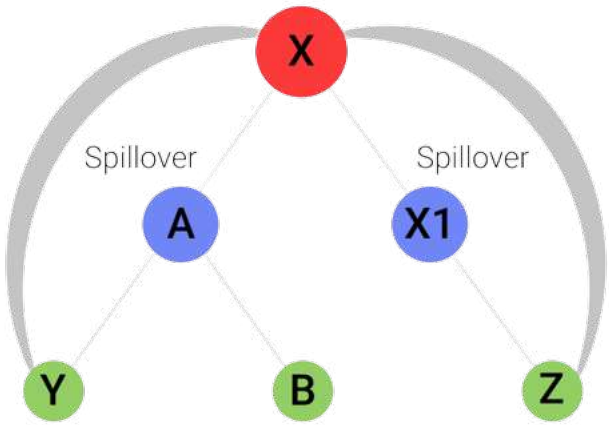
2. The Sponsor and the Parent of the downline are different



Here X sponsors A and Y, where Y is placed under the right leg of A. A sponsors new member B, and B is placed under the left leg of A, since there is no vacant position at the left leg.

Now For Y, A is the parent and X is the sponsor. Here the sponsor and the parent are different for the Y. The binary of A is formed from their own effort and the upline's (X) effort by spilling over the member Y.

3. Spillover without completely forming the binary



Distributor X introduces or sponsors two new members A, X1 to the right, and the left leg of binary structure and binary of X is formed.

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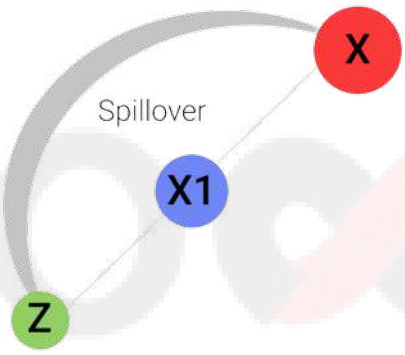
Now A sponsors new member B to the right leg as the left position of A is filled by the new member Y, who is sponsored again by X. X also sponsors Z and places to the right of X1. Here Y, Z is spillover and placed under the downlines of X, A and X1. Y is placed under the left downline of X , A and Z is placed under the right downline of X, X1.

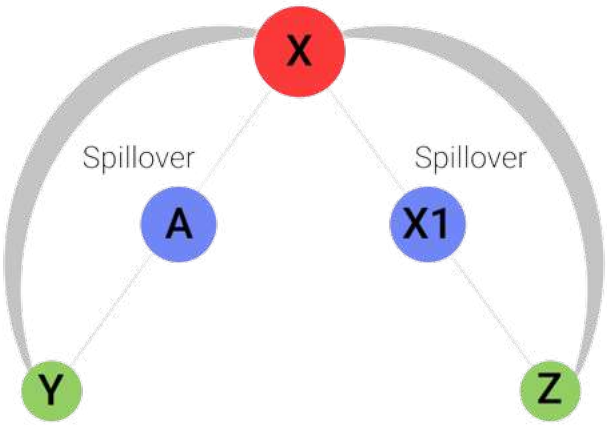
Two spillovers occur on two sides of X without completely forming the binary on either side.

4. Sponsoring only to the left leg of the binary structure



In this scenario, A introduces two new members B and C. B is placed under the direct left leg position of A, and C is placed to the direct left leg position of B. Here C is the spillover which is placed to the extreme left.

5. Normal spillover in binary structure



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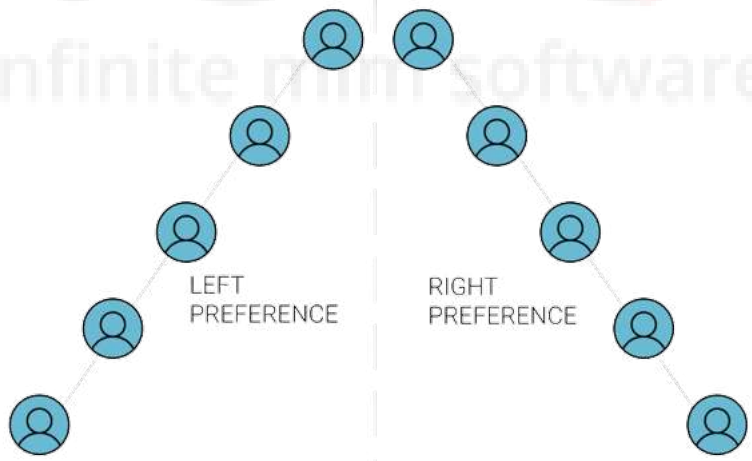
When the left and the right leg of any member is filled, the next new member sponsored will be placed under the next level as spillover. This is called normal spillover.

When the distributor X sponsors new members A and X1, the binary structure of X is completed, and if X again sponsors the new members Y and Z, they will be placed under the next level as normal spillovers.

Types of Spillovers in the Binary MLM Plan

When the binary structure is formed for a distributor by introducing two new members to the right and the left leg, the next new members sponsored by the same distributor will be spilled over to the next available position. Where the spillover is to be placed i.e the preferences of spillover will depend upon the MLM company. These are the different types of Spillovers in the Binary MLM Plan.

1. **Extreme End Spilling**



The spilling preference can be set to the extreme right or extreme left leg of the binary structure. This type of spill is preferred by most of the MLM companies to make the distributors more engaged in the sales process since they need to balance their pair with sales volume to get the binary commission. Overall it enhances teamwork and boosts sales volume.

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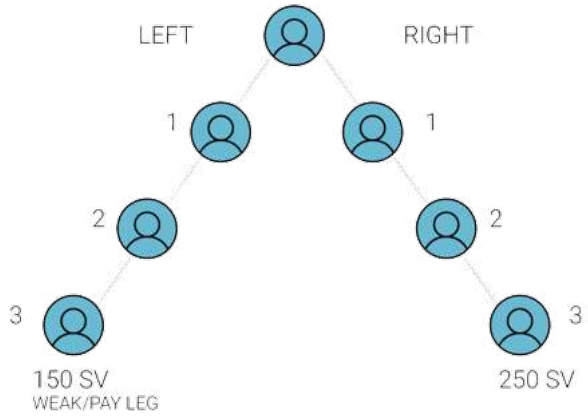
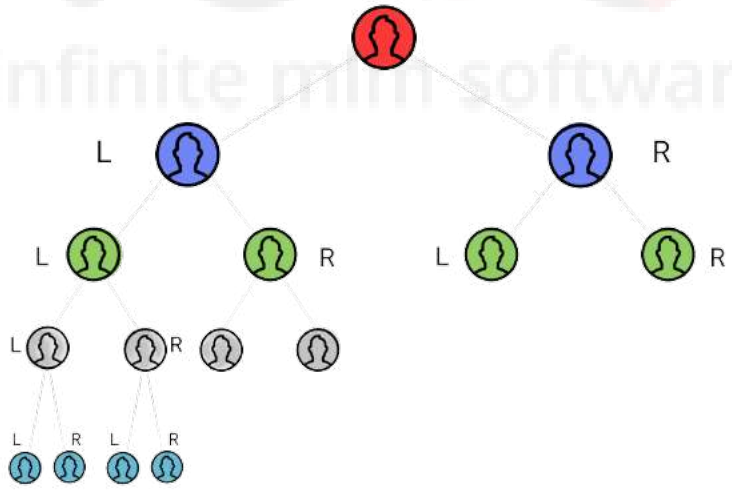
2. Weaker Leg Spilling



Here the newly introduced members are placed under the weak leg of the binary structure. The weak leg may be the left or the right leg depending upon the lowest sales volume acquired. This is done with the aim that the new member will be able to increase sales volume on the weaker leg.

3. Balanced Ratio Spilling



Here the spilling preference balances the binary tree with a 1:1 ratio. The new members will be added to both right and left combinations.

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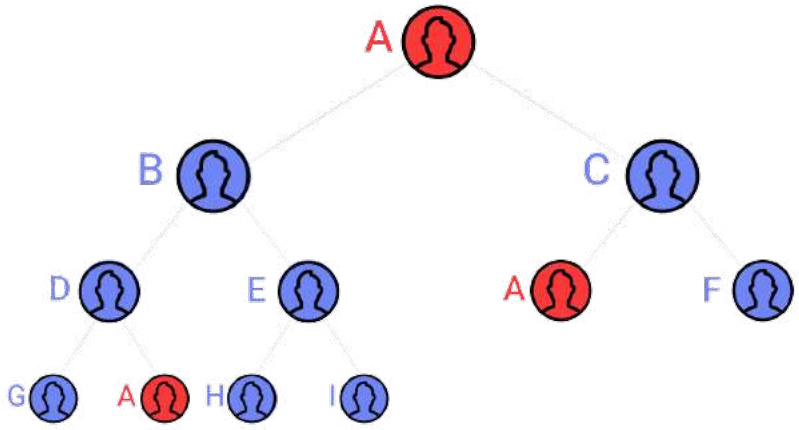
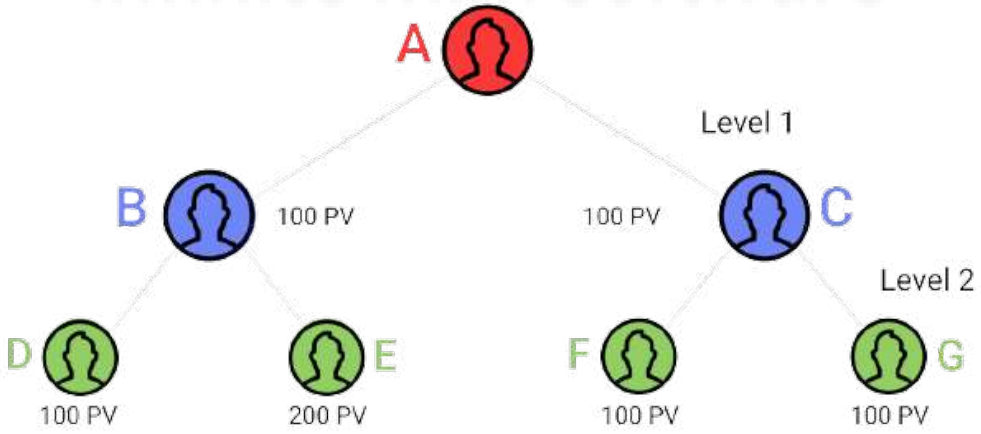
4. Multi-Position Spilling



The distributor may be offered multiple positions in the binary structure depending upon the joining package acquired. When the first three positions in the binary structure get filled, the next immediate positions are filled by the spillover. This type of spillover preference is offered depending upon the joining package from MLM companies.

Binary Commission Calculation



Here, we are calculating the commissions earned by **A, B, C** and **D** in this binary network. All the calculations done here are based on **10% P.V**.

First, let's calculate the commissions received by **A**.

In this network, A recruits B and C (B = 100 PV and C = 100 PV). Since the volume of sales on both legs are equal and they are matched,

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1. Commission with respect to A

Commission earned by A = 10% of 100 = 10 USD.
In case the commission earned on both legs is not matched, then we will consider the leg with the lowest P.V, called the weaker leg, for calculations.
Now, B recruits D and E.
With respect to A , D and E will fall on its left.
D manages a P.V of 100 while E manages 200 P.V.
So the total PV on the left = 100+200 = 300 P.V.
On the right, C recruits F and G and F and G manages a P.V of 100 each
So, the total PV on the right of A = 100+100 = 200.

Going by the matching on the basis of weaker leg, the right leg is the weaker leg since it could raise only 200 PV in comparison with 300 PV on the left side.
Hence, 200 PV from the right leg of A is matched with 200 PV from the left leg and the remaining 100 PV from the left will be carried forward on the left side of A.
Therefore, the commission earned by A from B and C = 10% of 200 = 20 USD.
Therefore, the **total commission earned by A = 10+20 = 30 USD**.

2. Commission with respect to B

B recruits D on the left and E on the right.
D earns 100 PV while E earns 200 P.V.
Since the left leg is the weaker leg , 100 PV from the left and right is matched. The remaining 100 PV from the right is carried forward to the right leg of B.
Commission earned by B = 10% of 100 = 10 USD
Therefore, the **total commission earned by B = 10 USD**.

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3. Commission with respect to C

C recruits F on the left leg and G on the right leg . Both F and G generate 100 PV each.
For C, since P.V on both the legs are equal, 100 PV on the left leg is matched with 100 P.V on the right leg and there is no carry forward in this case.
Commission earned by C = 10% of 100 = 10 USD.
Therefore, the **total commission earned by C = 10 USD**.

Check our free Binary MLM calculator:
https://infinitemlmsoftware.com/calculator/binary-mlm

What is Binary Capping?

Binary Capping is an amount set by the MLM companies to maintain financial stability. The turnover of the company may be affected if the commission payout goes out of control. Binary Capping will depend upon **Commission or Sales Volume**.

Types of Binary Capping

1. Binary Capping Based On Sales Volume

This value is set based on the sales volume gained by the distributors in contrast with the joining package.

If distributor X achieves sales volume from the left leg as 200, the right leg as 400, and the binary capping is set to 100 SV, then the commission will be provided only for the capping value of 100. The remaining 100 from the weak leg and 200 from the strong leg will be excluded and will not be taken for the next commission cycle.

The company may prefer to set this capping daily, or weekly, or monthly.

2. Binary Capping Based On Commission

This value is set based on the commission received by the distributors in contrast with the joining package.

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Suppose distributor A joins with a joining package of $1000, the company may set the capping value to $5000 and the distributor will not receive more than $5000 as commission. This capping value can also be set daily, or weekly, or monthly.

Bonuses in the Binary MLM Plan

1. Matching Bonus

The distributor receives a certain percentage of the commission from their downlines.

If A sponsors B and C as the direct downlines and B sponsors D and E and earns a commission $10 then a certain percentage of $10 is earned by A since distributor A is the sponsor of B.

2. Custom Bonus

Many MLM companies create their own custom bonus to encourage their distributors and attract more distributors to join their binary network.

3. Return Of Investment

This bonus can be achieved as a fixed bonus or a certain percentage of the investment made by the distributors in the business.

If distributor X joined the binary network by investing $10,000, then X will receive a certain fixed percentage of the investment i.e, return of investment.

Know more about MLM Bonuses, check link below:
https://infinitemlmsoftware.com/blog/types-of-mlm-bonuses

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Get in Touch

Website: **www.infinitemlmsoftware.com**

Email: **support@ioss.in**

Skype: **Infinitemlm**

Phone Number:

- **+91 9544931055**
- **+1 530 350 5657**
- **+44 1905 57 1298**
- **+971 52 349 0374**

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