

Why Binaries Don't Work (A Brief Outline)

(Friends Don't Let Friends Get Into Binaries)

1. Historically, Binaries have been short lived, except for Usana, which started out NOT a binary.
2. Binaries have had problems with regulators, often drawing huge fines or settlements, e.g., BigSmart (\$5,000,000)
3. Binaries are often built anonymously through automated systems that do not lead to the development of personal relationships
4. In a binary, the company is betting against the field: the very premise of the Binary Comp Plan is that distributors do not qualify. In fact, binaries live off of “breakage”, which is all the percentages written into a comp plan, but not paid out because distributors do not qualify. This money is kept by the company. Even in cases where the binary company claims to pay out fully its comp plan, it caps maximum earnings throughout its gene tree, keeping the money to be partially distributed in large cash giveaways. And they often claim to pay out fully, simply by earmarking amounts to be paid out later, thus creating a rolling (revolving) promise of pay out, which keeps on working as long as there is strong growth, and collapses when there is the slightest lull. If they all did,
 - a. either the company would go out of business, or
 - b. the profits in the field would be so widely spread out that the appeal of a select few making huge amounts, would not exist, which leads us to:
5. In a binary, the field leadership (leaders and big hitters) are building power legs as fast as possible, in other words, they are controlling spillover in a way to benefit them at the expense of their downline, thus making the appeal of spillover a myth at best, and at worst, an outward lie. Binaries pay out on your weak leg, not on your strong or power leg, therefore by definition, you do not build your success on the success of others, but you try to balance something that will naturally never be balanced.
6. Because of lop-sided income structures, binaries are associated to “get rich quick schemes”. But even payouts which favor heavily big hitters don't last in binaries. Binaries use a system called factoring which, for lack of a better word, allows them to factor in changes in growth. When revenue trends change suddenly, the income of big hitters can be drastically reduced, and then the latter flee with their automated sponsoring system, accelerating the downfall of the company.

7. Binaries have been historically used by companies that have sold over-priced services (e.g., phone cards that gave 20 cents value on the dollar, thus in reality being disguised money chains.)
8. Real growth is based on Pareto's Law: the 80/20 rule. Binaries claim to be able to get around this, that is why participants in binaries can be heard saying: "I almost made \$32,739 last month. - How much did you wind up making? - Well, really I made \$287... But wait til I balance next month!" No chance really, against an automated system building down one leg.
9. Binaries are usually built on hype, with huge cash giveaways in order to lure people based on the greed factor. The product becomes an excuse. They often create copycat products of already existing and legitimate products. The negative side of this is that they also taint legitimate businesses.
10. Binaries, because they most often use automated sponsoring systems, wind up giving a bad name to legitimate organizations who use automated systems within the confines of a sound compensation plan. The "good distributors" suffer from guilt by association.
11. Binaries lead you to purchase multiple "business centers", in order to "maximize" your earnings potential. What this really does, is get you to be front loading products (according to regulators, this means purchasing more of the same product that you and your family can reasonably consume within a certain period). Both State (AG's) as well as Federal (FTC) Regulators are concerned that this is a borderline, and often outright infringement on anti-pyramid laws.
12. Binaries redefine who they consider as distributors, often disregarding more than 90% of their distributor base, simply according to criteria to make it more difficult to be considered a distributor, such as minimum volume, period of activity, having already sponsored someone, or even already having received a commission check based on downline production. Binaries thus consider more than 90% of the people who signed a "distributor application and agreement" with them as wholesale customers, thus allowing binaries to misrepresent average earnings, thus skewing results by more than 90%.
13. Thorough analysis of most binaries show that only a handful make considerable income, while between 98% to upwards of 99% of distributors do not even make in commissions what they pay in on a monthly basis.

Summary:

The success of network marketing is also due to its viral acceleration of economic change: the best example of upward mobility.

The success of network marketing has nonetheless been tainted by the behavior of certain “clever” companies/distributors who sought even faster success, often at the expense of the reputation of network marketing. They came up with the binary compensation plan.

Be wary of compensation plans that use the words “cap”, maximize your earnings”, and “you can make up to”.

Binary companies are here today, gone tomorrow. The fastest growth companies have been binaries. Example: in the nineties, a binary company grew from 0 to close to \$2 billion in 18 months, and collapsed to nothing within two months, leaving hundreds of thousands throughout the world with dashed hopes, and an aftertaste of having been abused and taken advantage of. The founder of the company escaped to an atoll in the Pacific.