

Industry Definitions

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ACCUMULATED GROUP VOLUME: (AGV)

A Distributor's group volume from the day he or she becomes a Distributor to present. This value does not clear or reset each commission period; it continues to grow.

ACCUMULATED PERSONAL VOLUME (APV)

A Distributor's personal volume from the day he or she becomes a Distributor to present. This value does not clear or reset each commission period; it continues to grow.

ACTIVE

Only *Active* Distributors may have earnings. A Distributor is considered *Active* when they have at least _____ Personal Volume and/or _____ Group Volume. Some plans impose other requirements as well.

BACK END

A term used to describe the portion of a Step-Level / Breakaway plan which pays commissions to breakaway distributors. (Also see *Front End*)

BONUS VOLUME (BV)

The Qualifying Volume from the sales order that will be the volume credited for a sale. It is added to the Personal Volume (PV) of the purchasing Distributor, his Group Volume, and the Group Volume of upline Distributors according to the plan. This volume may optionally be different than the volume on which the commissions are paid (See *Commissionable Volume*).

BREAKAGE

Many distributors are either unqualified or ineligible to receive some or all types of commission each month. When these unpaid commissions are retained by the company, they are called *Breakage*. *Breakage* also happens when an order is placed by a distributor who is close to the top of the genealogy such as a distributor sponsored directly by the company or an *orphan*. In these cases, some or all of the commissions that would normally be paid to an *upline* are retained by the company because there are few, if any, distributors in the purchaser's upline. Please note that commissions are always paid *upline*. When the upline is small or nonexistent, the company retains the unpaid commissions, causing *Breakage*.

BREAKAWAY

When Distributors are promoted to a certain title, they "break away" from their sponsors and are thereafter called "breakaway" distributors. Their group volume is no longer included in their sponsor's group volume. Breakaways are entitled to additional compensation, which is usually referred to as a Generation Override. Breakaway positions are usually considered sales leaders.

COMMISSIONABLE VOLUME (CV)

The assigned value of each purchased product on which commissions are paid. It is in the currency of the country in which the order was placed (though the eventual commission check may be issued in yet a

different currency). Sales aids usually have no *Commissionable Value*. Commissionable products have a *Commissionable Value* which does not have to equal the price paid for the product.

COMMISSIONS

An amount paid to a Distributor on his or her direct and downline Commissionable Volume. It usually comprises Commissionable Volume within his own Group. Some plans call all forms of payment to Distributors a “commission”.

COMPRESSION

See *Roll-Up*. Also used to describe the impact on a genealogy when a Distributor is terminated. In this case, the downline of the terminated Distributor is linked to the sponsor of the terminated Distributor causing a “compression” effect on the downline.

DISTRIBUTOR

A person or entity in the genealogy with a class of "D" (Distributor) is a Distributor. Anyone who gets credit for a purchase or can receive commissions must be in the genealogy. All Distributors must sign a Distributor Agreement to avoid being considered employees of the corporation. Some companies allow two or more people to join together as a single Distributor entity. This is also called a *Distributorship*.

DOWNLINE

The Distributors personally sponsored by a Distributor, as well as all the Distributors they sponsor, etc. Example: You sponsor Jim, who sponsors Mary, who sponsors Ted. All these Distributors are in your downline.

ENROLLING SPONSOR

The Sponsor who recruits a new distributor or customer. This person may be different from the Sponsor assigned to the new recruit in some compensation plans such as Matrix or Binary. It may also be different if the Enrolling Sponsor of a distributor is terminated. In this case, the distributor is placed under the sponsor of the terminated distributor. (Also see *Sponsor, Compression*)

EXEMPTIONS

Distributors may be permanently or temporarily exempted from meeting certain requirements for qualification. These should be clearly defined but not published. Distributors should not expect to be exempted when they fail to meet their qualifications even when they have an ‘excuse’. Reality requires this capability, however, to deal with corporate mistakes and other exceptions.

FRONT END

A term used to describe the portion of a Step-Level / Breakaway plan which pays commissions to non-breakaway distributors. (Also see *Back End*)

GENEALOGY

The sales organization of a company or Distributor. It is also called a Downline.

GENERATION

The relationship between an upline breakaway and a downline breakaway, not including non-breakaways. The first breakaway in any leg is a first generation breakaway. Generations are counted based on this period's fully qualified title.

GENERATION OVERRIDE

The commissions paid to upline Generations based on GV. Note that this is only paid to Breakaways.

GROUP

All downline Distributors not including any other breakaway Distributor or the groups of other breakaways.

GROUP COUNT

The count of Distributors in a group not including one's own self. Also called Group Size.

GROUP VOLUME (GV)

The total of all Personal Volume (PV) sold by a group for a commission period. This includes one's own Personal Volume (PV).

INACTIVE

Each commission period (month?) that a Distributor is not *Active*, he is considered *Inactive*.

LEG

Each personally sponsored Distributor and all his or her downline. Also referred to as *Line of Sponsorship*. If a Distributor recruits five other Distributors, placing them on his first level, each recruit comprises a *Leg* of the sponsor. *Leg* is also used to signify a single chain of Distributors where "A" sponsors "B" who sponsors "C" who sponsors "D", etc. Together, they are often referred to as a *Leg*.

LEVEL

The position a Distributor has in a downline relative to an upline Distributor. Distributors personally sponsored are *level one* to the sponsor. Those Distributors sponsored by level one Distributors are *level two*, relative to the original Distributor. (Also see *Qualified Level*)

LEVEL OVERRIDE

The commissions paid upline Distributors based on relative position in the genealogy. Note this is only paid to qualified levels. This type of commission is usually paid only in Uni-level compensation plans, not Step Level / Breakaway plans.

ORPHAN

When a new distributor joins a company, a distributor application form is completed and sent to the company. On the application, the new distributor's sponsor name and account number is noted so the company can link the new distributor to his sponsor. Occasionally, the sponsoring distributor noted on the application is either incorrect or nonexistent making it impossible to correctly link a new distributor to an existing sponsor. In such cases, the new distributor is called an *orphan*. Procedurally, most companies have a distributor in their genealogy called "Orphan Account" to which all orphans are temporarily linked

until their correct sponsor can be resolved. Commissions paid on the purchases of these orphans are usually retained by the company as *breakage* because there is no upline. Resolving orphan-sponsor linkages quickly is a high priority with most companies to avoid problems caused by not paying commissions to the correct upline.

PAID-AS TITLE

The title a Distributor is qualified for in each commission period. This title is not necessarily the Distributor's permanent "official" title. The Paid-As Title may change with each commission run but the Title does not. The Paid-As Title will never be greater than the permanent Title.

PERSONAL VOLUME: (PV)

The value of commissionable products purchased in a commission period is called Personal Volume or PV. It is based on the sum of each purchased product's *Qualifying Volume*. It is credited to one and only one purchasing Distributor in a commission period. It represents the total value of commissionable product purchased. It is usually included in the Distributor's Group Volume. When retail customers buy directly from the company, the *Qualifying Volume* of their order is usually included in the Personal Volume (and Group Volume) of their sponsoring Distributor.

QUALIFYING VOLUME

The value of a commissionable product which is applied toward Distributor qualifications in the compensation plan. This value is added to both Personal Volume (PV) and Group Volume (GV) when purchased. It is different than Commissionable Volume. Commissionable products have a Qualifying Volume which does not have to equal the price paid for the product. (Also see *Commissionable Volume*)

QUALIFIED

In most plans, a Distributor is "qualified" if they can receive *Generation Overrides*.

QUALIFIED LEVEL

Some Uni-level plans which pay commissions based on *Levels* instead of rank or title pay based on *Qualified Levels*. In these plans, a *Qualified Level* is represented by each *qualified* Distributors in a single *Leg* or single chain of Distributors. Inactive Distributors are not counted as *Qualified Levels* in these plans. (See also *Roll-Up*)

RECRUIT

A distributor who is recruited by another distributor to participate in the compensation plan or business opportunity.

RETAIL VOLUME

The total retail value of commissionable products is called Retail Volume. Retail Volume is seldom used by compensation plans; most plans rely on wholesale values to determine Qualifying and Commissionable Volumes used in their compensation plan.

ROLL-UP

If a commission payment cannot be paid to a Distributor due to that Distributor's being inactive, unqualified or not eligible in a given period, the payment will "roll up" to the next qualified, active and eligible Distributor upline. In most plans, the volume does *not* roll up with the payment which would result

in increasing the Group Volume of upline Distributors based on the poor performance of their downline – the practice of volume roll-up is not recommended while the practice of commission or override roll-up is recommended.

SPONSOR

The Distributor immediately upline of a Distributor. It is *usually* the person who originally recruited the Distributor but may be different if the Sponsor has inherited one or more people through *Compression* due to the termination of previously sponsored Distributors. It may also be different in plans that automatically place new recruits in certain spots or positions based on plan rules such as in Matrix or Binary plans. In these plans it is common for the sponsor to be different from the original *Enrolling Sponsor*. (Also see *Enrolling Sponsor*)

STACKING

A usually undesirable technique used by Distributors to manipulate the compensation plan. Stacking occurs when a Distributor recruits other Distributors placing them in a single Downline Leg or chain instead of directly under the recruiting distributor.

UNENCUMBERED GROUP VOLUME (UGV)

To avoid the Group Volume of one Distributor inadvertently promoting his sponsor (and his sponsor, etc., which is often called *Stacking*), some plans require Group Volume used for advancement to Breakaway position to be derived from sources *other* new breakaway distributors. These other sources are most often other legs within the Group which are not being advanced to Breakaway positions. The Group Volume derived from these other sources is considered *Unencumbered Volume*. This distinguishes it from the Group Volume used by a downline Distributor that breaks away (encumbered volume).

Some plans allow a portion of the Group Volume of a Distributor achieving Breakaway status to be included in the Unencumbered Group Volume of his sponsor. For example, a plan might allow the excess or unused Group Volume of a downline Distributor who is achieving Breakaway to be included in his sponsor's Unencumbered Group Volume.

The purpose of Unencumbered Group Volume is to avoid Distributors manipulating the intent of the compensation plan by funneling all their volume into one downline Distributor which causes an entire leg to be advanced to Breakaway status. (Also see *Stacking*)

UPLINE

A Distributor's sponsor, along with his or her sponsor, etc. All distributors in the genealogy above a distributor are referred to as his *upline*. For example, if A sponsors B who sponsors C who sponsors D, then the upline of D consists of A, B, and C.