

What Is Coding and How Does It Work?

By Jeffrey Babener © 2015

www.mlmlegal.com



Most modern direct selling plans offer enroller coding bonuses. Historically, a sponsor enrolled a new distributor frontline and was deemed the sponsor. Commissions flowed from this relationship.

However, as sponsors became busier and busier, companies concluded that it was beneficial to all parties to allow a sponsor to place a newly-sponsored distributor into the downline, *but not necessarily frontline* to the sponsor.

This approach allowed top distributors to recruit, but assign the new distributors to downlines that would be better able to work with the new recruit. In addition, this approach allowed a top distributor to reward individuals in their sales organization with some of the benefits of top distributor's recruitment efforts.

And thus the concept of an enroller developed. In this case, **an enroller is a sponsor that places a downline distributor into the downline, but not frontline.** The sponsored individual is placed underneath a "sponsor" and is tied and coded to an enroller or "code sponsor," with the enroller or "code sponsor" receiving a specific "coding bonus" which is associated with sales volume of an enrollee or "coded sponsoree." This "bifurcation" of commissions allows for a reward to the efforts of both the "enroller" and the support efforts of the downline distributor who becomes a sponsor.

For more information, visit our websites at www.mlmlegal.com and www.mlmattorney.com. Or, visit our blogs at <http://mlmlegal.com/MLMBlog/> and <http://mlmattorney.com/blog/>.

Find us on our social networks:

[Google+](#)

[LinkedIn](#)

[Twitter](#)

[Myspace](#)

[Facebook](#)

And, as always, visit MLMLegal.com, the best MLM resource on the web. The next ***Starting and Running the Successful MLM Company Conference*** will be here before you know it! On February 26 & 27, 2015 we are hosting the [MLM Conference](#) for the 25th year! This is now our 70th annual conference (held almost consistently three times per year over the last 25 years). All executives/owners of MLM, direct selling, network marketing, and party plan companies are welcome to attend. This is the [original MLM Startup Conference](#), hosted and perfected by direct selling industry expert, [MLM Attorney Jeff Babener](#). Call 503-226-6600 or 800-231-2162 to register. (Can't make this event? Keep an eye out for next conference dates at our website.)

Welcome to MLM Legal - a valuable resource to the Multi-Level Marketing and Direct Sales Industry. Use this site to review interesting articles about this high growth industry. Keep current with the law and how it is affecting large and small companies throughout the United States. MLM Legal is sponsored by Jeffrey Babener of [Babener and Associates](#).



Jeffrey Babener
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

www.mlmlegal.com