

Understanding OTE: On-target earnings

You're scrolling job ads and come across a company advertising a sales role for \$120,000 OTE. You think, *"Wow, \$120,000. I'll apply for that!"* But before you start writing your cover letter, it's important to understand what OTE means.

OTE, or on-target earnings, is a compensation model for [sales](#), [retail management](#) and other performance-driven roles. It essentially means you receive a base salary, with the opportunity to earn more (the OTE) if you meet certain criteria, like key performance indicators or sales targets.

Understanding OTE is essential if you're applying for a job with this type of compensation structure. Here we cover how an OTE structure works, how to calculate OTE and what to look out for when applying for OTE roles.

What does OTE mean?

So what does OTE stand for and what does it mean, exactly? OTE, meaning on-target earnings, refers to a compensation structure where the employee receives both a [base salary](#) and a set commission for reaching specific targets. For example, a job listed with an OTE of \$100,000 may receive a base salary of \$60,000, with the potential to make another \$40,000 if sales targets are reached.

What is on target earnings?

When you're on an OTE salary structure, you'll receive a base salary plus commission or a bonus. OTE commission will either be:

- **capped**, where you earn a set amount for reaching or exceeding your target, or
- **uncapped**, where you can receive as much commission as you can earn, based on how much you sell or how many targets you meet.

The salary is paid either weekly, fortnightly or monthly, while OTE is paid annually

based on meeting your targets. But this can change depending on the role and company.

Sales professionals are typically the most likely to receive an OTE structure, as the commission targets help drive performance. But retail management and [marketing managers](#) are also commonly under an OTE structure to incentivise them to deliver a certain standard of results.

What does OTE mean in job ads?

OTE in job ads can be confusing, especially when the structure isn't laid out in the description. So what is OTE in salary-based sales roles? When OTE is mentioned in a job ad, the salary or earning figure is the *potential* income, not your standard take-home pay. OTE is both the salary and the potential commission combined – with the commission only added if you meet certain targets.

Hiring managers use the OTE number to encourage more applicants, especially from high-performing, results-driven sales people. Whether the role is worth applying for depends on a few things:

- your personal preferences
- the balance of salary to commission, and
- the targets you have to meet to receive your OTE.

If there is a good salary and OTE, and the target figures seem fair and attainable, then you could be onto something good.

Benefits of OTE

There are some clear benefits to an OTE salary for both employers and employees. Employers can attract and retain the best talent to grow their business. For employees, the benefits of OTE include:

- Having clear targets and expectations to drive performance
- A sense of control over earnings and earning potential
- A clear framework for determining bonuses, contributing to transparency and fairness
- More motivation and engagement in the role
- Rewards for hitting quotas to further drive performance

For people who are goal-driven, an OTE commission and salary structure can be very incentivising. A healthy level of competition in the workplace can also create stronger connections between colleagues.

How do you calculate OTE?

To work out your OTE, add your base salary and annual potential commission together. Your base salary is your normal take-home pay, while your commission will depend on meeting targets. In Australia, the base take-home salary will typically be minus tax, with superannuation added, depending on the role.

Examples of OTE calculations

Here are some examples of how you might calculate OTE plus salary:

Example 1

An \$120,000 OTE with an \$80,000 salary and uncapped commission means you have the potential to earn another \$40,000 minimum once meeting KPIs. Uncapped commission means if you exceed your sales target, you have the potential to earn more.

Example 2

A \$50,000 salary + \$50,000 OTE capped means you have the potential to earn \$100,000 (minus tax, plus super) by meeting your targets. Your salary will be paid regardless of your performance, while your OTE commission will be paid depending if you meet your targets or performance indicators.

On-target earning examples by role

On-target earnings will be different depending on your role. If you're managing other people, your performance will be dependent on your team's performance. But as a sales representative, you have more control over your OTE commission, as you don't have to worry about anyone else's targets being met to reach your own.

Sales representative OTE pay and quotas

A [sales representative](#) typically works with a shorter consumer cycle, often [working face-to-face with walk-in customers](#) or as a point of contact for a company for one-off sales. A sales rep is more of an introductory role, so salary is usually around the \$65,000 to \$85,000 per annum mark. To accommodate changes in the market, OTE commission cycles will typically be shorter, requiring you to meet weekly, monthly or quarterly targets over annual goals, giving you a percentage of the sales you make.

For example, as a sales representative, you may receive a base salary of \$52,000 + OTE commission of 10% per sale if you meet your quota.

Account manager OTE pay and quotas

[Account managers](#) are also customer facing, though they work with clients over longer periods of time. An account manager may service clients at a creative agency, software-as-a-service company or another type of provider that offers long-term services.

The average salary of an account manager ranges from \$80,000 to \$100,000, with average commission of between \$14,000 to \$20,000. An account manager's sales targets may also be dependent on bringing in new clients, as well as retaining existing ones.

Sales manager OTE pay and quotas

A sales manager is responsible for hiring, retaining, training and supporting sales representatives or account managers. Their targets may be quite varied, such as:

- team sales budgets,
- staff training and
- team sales target achievements.

The [average salary](#) of a sales manager ranges from \$95,000 to \$115,000 a year, with a commission range between \$15,000 to \$50,000. This makes the average OTE salary of a sales manager between \$140,000 to \$175,000.

Marketing manager OTE pay and quotas

Marketing manager is another OTE salary and commission role, where the commission acts as an incentive to drive performance. Marketing managers' specific quotas will

depend on the area of marketing they're in. For example, a digital marketing manager may earn commission based on the number of leads acquired through paid ads. There are also more general targets, like coming in under budget for the year. Marketing managers are more likely to receive an annual performance-based bonus than a commission.

The average marketing manager salary in Australia ranges from \$100,000 to \$120,000 per annum, with a \$5,000 to \$15,000 bonus. But this can vary greatly depending on location, company, size of team and KPIs. For example, a marketing director of a large company would have a higher salary with higher targets than a marketing manager in a small business.

OTE is not guaranteed

The most important thing to remember about OTE is that commission isn't guaranteed. While you're guaranteed to be paid your base salary, you will only be paid your commission if you meet your OTE targets. For example, you may be required to make \$150,000 in new business sales from January to December within the same year to receive your commission. This is why the OTE salary job you accept needs to have realistic expectations and targets.

Tips for achieving your OTE

If it's your first time working under an OTE structure, there are ways to work effectively to help you get your commission. Here are some tips for achieving your OTE:

- Break up your annual goal into monthly or weekly goals to keep yourself on track and stay motivated.
- Set micro goals, like the number of people you'll contact in a day or leads you'll book in a week.
- Organise your tasks to ensure admin doesn't build up, like finalising contracts, keeping track of client progress, following up with clients, etc.
- Give yourself rewards for meeting certain performance levels by different checkpoints to keep yourself motivated.

OTE, meaning 'on-target earnings', can be a great type of salary structure for performance-driven people. There's the safety net of a salary, plus the bonus of a commission for meeting your targets. Understanding that your total [salary package](#) depends on your performance can help keep you focused and motivated at work.

If you're interviewing for OTE roles, ensure you [understand the salary structure](#) and whether the quotas you need to meet are realistic. To succeed in an OTE role and get your maximum commission, remember to reward yourself regularly and break your larger targets up into smaller goals so it's easier to stay on track.

FAQs

Is OTE on top of salary?

OTE (or on-target earnings) are part of your salary structure. You receive a base salary (fixed income) plus any commissions earned in a given period, by hitting key performance indicators or sales targets.

Is OTE guaranteed?

OTE is not guaranteed. To receive OTE, you must meet a certain level of performance or attainment. If you're interviewing for a role with OTE, ask about the average attainment of OTE to ensure the KPIs are achievable.

Is on-target earnings the same as commission?

On-target earnings (OTE) is made up of a base salary (fixed income) and commission earned by reaching targets. This means you do receive a commission with an OTE model.

Are on-target earnings realistic?

While on-target earnings (OTE) are not guaranteed, they should be realistic to attain. It should be clear what you need to do to achieve your OTE, and the targets should be reachable within the given timeframe.

What is the average OTE for a sales rep role?

The average figure for on-target earnings (OTE) for an [Account Executive](#) in Australia is approximately \$75,000 to \$95,000. Average OTE will look different depending on the role, company and sales targets.

What does 200k OTE mean?

200k OTE refers to the total potential pay an employee can expect to receive per annum if they meet all key performance indicators or sales targets. This will be made up of a base salary they receive regardless of targets met, plus commission earned from meeting targets or KPIs.

What's the difference between OTE and a bonus?

The main difference between an OTE and a bonus is a bonus may not be directly related to an employee's performance. OTE is a set combination of base salary and commissions an employee can earn for reaching targets set by their employer, while a bonus is a form of variable pay employees can receive at the discretion of their employers for loyalty or performance.