



Choosing a Retail Location

USING TRAFFIC STUDIES, CUSTOMER DATA, AND COST PLANNING

Why Location Matters

Choosing the right retail location is one of the most important decisions an entrepreneur will make. Whether you're launching your first storefront or relocating an established business, this guide provides a practical, step-by-step framework that combines customer alignment, traffic analysis, budgeting, and site evaluation.

Step 1: Define Your Target Market and Business Type

Before you even begin scouting locations, revisit your target market and ideal customer profile. These define who you're selling to and what environments they frequent. Ask yourself:

- Where does my ideal customer live, work, and shop?
- What neighborhoods or commercial areas do they visit regularly?
- What is their typical buying behavior (impulse buys, planned purchases, high-end, budget-conscious)?

Also, clarify whether your retail business relies on impulse foot traffic (e.g., gift shops, cafés) or operates more as a destination (e.g., salons, specialty stores). If your ideal customer is a busy, urban professional, downtown or transit-accessible locations may be ideal. If they're families, proximity to schools or residential neighbourhoods might matter more.

Fully understanding your ideal customer, and their shopping habits, will guide your location and visibility requirements.

Step 2: Research Cities and Commercial Districts

Start by selecting a city or region. Within a city, narrow your focus to specific neighborhoods that align with your customer profile and retail format.

Evaluate the trading area based on:

- Population trends and customer demographics
- Purchasing power and income levels
- Local economic development plans
- Competition and complementary businesses
- General business-friendliness and regulations

Step 3: Shortlist and Evaluate Specific Locations

Once you have selected a city or region, make a shortlist and visit potential sites. Bring a checklist to assess:

- Visibility and signage potential
- Foot and vehicle traffic patterns, including peak hours
- Accessibility (transit, walkability, parking)
- Safety and area appearance
- Neighboring tenants (competition vs. synergy)
- Zoning restrictions and permitted uses

Step 4: Use Traffic Data to Forecast Sales

Pedestrian and vehicle traffic counts help you estimate your store's revenue potential. Gather data by observing foot traffic manually or sourcing local studies

What Are Traffic Studies?

Traffic studies analyze how people or vehicles move through a given area. For retailers, this means understanding how many people pass by your location, how often, and when. Key types of data include:

- Pedestrian foot traffic
- Vehicle traffic counts
- Parking availability
- Transit access
- Dwell time and movement flow

Where to Get Traffic Data in Canada

- Municipal governments (e.g., Vancouver, Toronto) publish transportation and pedestrian studies.
- Business Improvement Areas (BIAs) often collect local surveys and footfall metrics.
- Commercial real estate firms like Colliers or CBRE may share traffic insights with tenants.
- Google My Business and Google Maps provide location insights like busy times and customer trends.
- Tools like StreetLight Data (Canada) offer paid services with high-quality data.
- Local business owners can often offer valuable informal insights.

Forecasting Sales

Before signing a lease, it's important to understand whether a location has the potential to generate enough sales to sustain your business. One practical way to estimate this is by using foot traffic data to project revenue. While it won't provide exact numbers, this method gives you a realistic starting point to evaluate whether a location can meet your financial goals.

To estimate sales:

- Count daily passersby
- Estimate the % who will enter
- Estimate the % of those who will purchase
- Multiply by your average transaction value

Example: If 1,000 people pass daily, 5% enter (50), and each spends \$8, that's \$400/day or \$120,000/year (based on 300 open days). Use this data in your cash flow projections to determine the projected sales at the location.

It's essential to be realistic in your revenue projections. While high traffic volumes may seem promising, not every passerby is a guaranteed customer. Use conservative estimates when applying traffic data and always account for seasonal fluctuations, local events, and potential slow periods.

Step 5: Evaluate Affordability and Total Costs

Choose a location that not only meets your visibility needs but also fits your budget. Consider:

- Monthly rent and lease structure (gross vs. triple net)
- Deposit, leasehold improvements, and insurance
- Property tax, utilities, and maintenance
- Opportunity cost of high rent vs. expected sales volume

Aim for a balance between cost and foot traffic. Premium locations are only worth the price if traffic can convert into consistent revenue.



Before committing to a lease, prepare a detailed cash flow projection that includes all operating expenses (rent, staffing, inventory, utilities, marketing, etc.) and your estimated sales based on foot traffic analysis. This will help you understand whether the location is truly financially viable and how much buffer you need to stay afloat during the early months.

Step 6: Compare and Score Final Options

Use a decision matrix or scoring sheet to objectively compare your top 2–3 locations. Criteria can include:

- Target market alignment
- Traffic quality and volume
- Neighbor synergy or competition
- Lease affordability
- Growth potential of the area

Rank each site and choose the one that best fits your business model, financial capacity, and long-term vision.

Final Step: Make a Confident, Informed Decision

A strong retail location balances customer access, brand fit, and financial sustainability. By combining traffic insights, customer profiling, cost analysis, and local research, you can choose a location that supports your business success now and into the future.