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Martini Steakhouse paying off debt, plans to franchise

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After two difficult years and several liens for unpaid taxes, the owner of Martini Steakhouse and Marbella Seafood Bistro says his restaurants are on their way to being financially stable again.

In fact, owner Arun Dorasamy is confident enough that, for the first time, he's entered into an agreement to start franchising Martini Steakhouse. Dorasamy recently signed with a company out of New York to develop the restaurant concept in Kansas City within a year.

In the past year, Dorasamy has been the subject of four tax liens on his two restaurants, equaling about \$66,000. That includes a new lien for \$12,641, which appears in this week's Business Journal record copy, page 14. Dorasamy says that lien and the rest of the liens are almost paid off. He is waiting to receive the satisfaction of judgment paperwork from the state, which he expects to get in a couple weeks. The liens should be released by the end of November, he says.

Jeff Scott, executive manager of compliance and enforcement with the Kansas Department of Revenue, could not discuss details of the case to confirm that the liens have been paid off.

Dorasamy says sales at Martini Steakhouse rose 12 percent in the second quarter and 18 percent in the third quarter of 2003. And Marbella Bistro saw a 7 percent and 11 percent sales growth in the same quarters, respectively.

Dorasamy says franchising is one of the many things he's done in the past two years to find new streams of revenue. He was forced to change the way he ran his restaurants after the events of Sept. 11, 2001 slowed business almost to a halt.

"We had a tough time last year, and things have changed drastically," he says. "Business is definitely better. But for the longest time, I didn't see the light."

Franchise agreement

Robert Ames Business Development Co. is the business Dorasamy signed with to open the franchise. President Alan Feifer says Martini Steakhouse is the kind of concept that could do well in cities outside of Kansas. He says Tampa, Fla., Charlotte, N.C., St. Louis and Atlanta are also markets he could see the restaurant opening in. But the first one will most likely be in Kansas City.

"As a franchise development company, we look for concepts we feel we can bring to market," Feifer says. "There are many places that could support an entity like this, but you have to get the first one in place."

Feifer says he's aware of Dorasamy's financial difficulties, but says he's not concerned.

"Whatever happened in the past, I think he's on the right track, as long as he's on the mend now," Feifer says.

Managing loss

Dorasamy paid a commitment fee of \$2,500 for the franchise agreement. He says it's a cheap way to earn revenue down the line. That's what the past two years have been about, he says -- finding new ways to make the most of his budget.

This year, Dorasamy started working with Kansas Trade Exchange Inc., which allows businesses to exchange services among each other. Since May, Dorasamy has gotten services such as pest control, remodeling and accounting done by simply making meals for the workers.

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Nikki Inlow, certified trade broker with Kansas Trade, says Dorasamy has spent \$9,000 in trade since May.

"He'd much rather feed them with his food that he's already paid for," Inlow says. "I think it's helped him substantially. He's done so much on trade that he would have had to pay out of his pocket for."

Dorasamy has learned other ways to cut costs and diversify his services. He stopped hiring, laid off 12 people and cut salaries for some of the remaining employees. He now works full-time in both restaurants; before he played more of a supervisory role. Employees at the restaurants have been promised raises at the beginning of the year, he says.

Dorasamy also now offers room service to local hotels, including Hotel at Old Town and La Quinta Inn. He started conference room catering, private dining and catering for classified business meetings. And to gain more visibility, Dorasamy has started doing as many cooking shows on local TV and at area grocery stores as he can. Lunch services, which were cut early this year, have been brought back and are now profitable, he says -- a sign that business is improving.

Earlene Todd, co-owner of Giverny Grocery, says Dorasamy, who's been doing cooking demonstrations at the store for three years, saw the problems he faced and "attacked" them.

"He's worked very hard," she says. "It's been a very stressful, very difficult time for him, but with his business ethic ... he's persevered."

Tonya Tandoc, owner of Tanya's Soup Kitchen, says she's noticed an upturn in the industry, which is helping the smaller restaurants in Wichita.

"At least right now, it's looking pretty good," she says. "I'm hoping Martini can do better. If not, I would feel like another independent bit the dust."

REACH LAINIE MAZZULLO at 266-6191 or on the Web at lmazzullo@bizjournals.com.

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