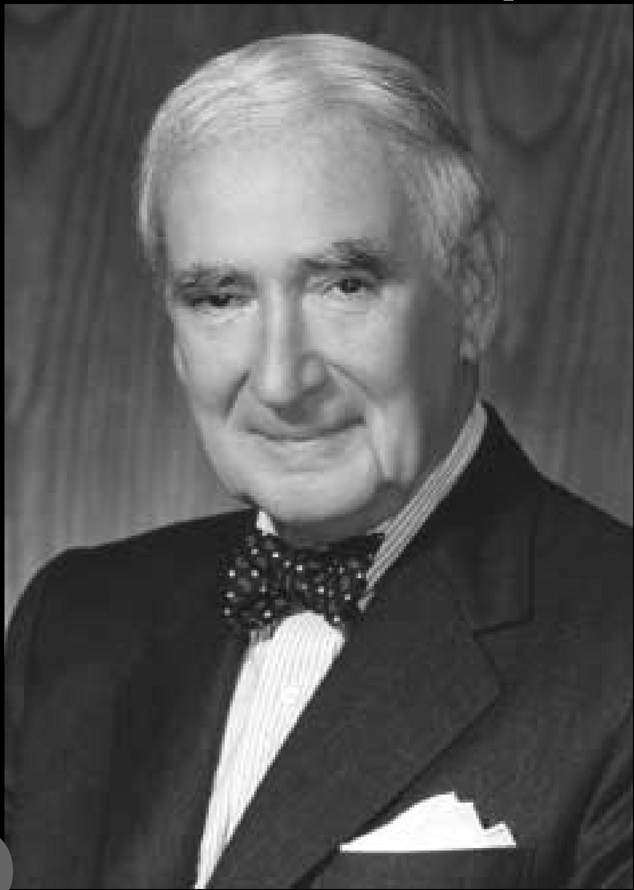
Ralph J Roberts



"We stress to every employee [at Comcast] that you should **be your own person**, that you should feel that this place has a responsibility to you, that it is still a family. If you don't like what's going on, stand up and tell people you don't like it."

CHAPTER 17

COMCAST CORPORATION

In the waning days of World War II, Ralph J. Roberts and a friend from the Navy hit on an idea for a new business venture—one that looked like a sure-fire winner. War contracts were being canceled left and right, but the country's big manufacturers had not yet switched from military production back to their usual product lines. Golf club-maker Spalding was among those still busy wrapping up defense contracts.

"My partner was a golfer," explains Roberts, "and he pointed out to me that the one golf club a golfer will buy outside of his set is a putter. He was also an engineer and had a machine shop where we could make our own clubs. It looked like a perfect opportunity. We made these putters—flat, medium and upright—and put together a special display where you putt into a hole at the bottom of the display and the ball rolls back to you.

"I got in my car in Philadelphia and drove to Florida," says Roberts, "stopping at every pro shop and sporting goods store along the way, selling golf clubs. We charged $6 each to the pro who retailed them for $10. We had a three-dozen minimum order. My partner was making them as fast as I could sell them. In addition, we did a mailing to every pro shop in America. We must have sold 100,000 clubs. We even got Bob Hope to model the putter for us, and we called it the Bob Hope Centric Putter.

"Everything was doing fine until one day, while I was swinging a recently made putter, it bent almost in half. I grabbed the phone and called my partner: 'What happened? The shafts are bending like pretzels!'"

Roberts's partner grimaced on the other end of the line: "Yes, I know. I forgot to send the last batch to the heat treater!"

Images of irate customers danced before Roberts's eyes. "In that case," he replied dryly, "I think this is an excellent time to find a new business."

Ralph J. Roberts was born in New York City on March 13, 1920 to Robert and Sara Roberts. Five years later, the family moved out of the bustling metropolis to what was then still country: New Rochelle in New York's Westchester County. "There were farms all over the place," recalls Roberts. "New Rochelle was known as the Queen City of the (Long Island) Sound. All the kids went sailing in 'cat boats.' In fact, kids got boats before they got cars."

Roberts demonstrated an interest in business at a very young age . . . initially to Sara Roberts's dismay: "The first business thing I remember is digging up my mother's marigolds and selling them to the neighbors," her son recalls with a grin.

The youngster's wares were ill-gotten, but Roberts came by his entrepreneurial streak honestly. His father was a manufacturing chemist and pharmacist who developed medicinal products, including a throat spray for singers that was endorsed by legendary contralto Madame Ernestine Schumann-Heink. Bob Roberts also owned a prosperous chain of drugstores, one of which was located in the lobby of Manhattan's Biltmore Hotel, a frequent gathering place of the city's Democratic power-brokers in the 1920s. There, in the orbit of fast-talking Mayor Jimmy Walker, Bob Roberts probably caught the investment fever that proved to be his undoing. He apparently took to heart Walker's boosterism of the city's real estate market and tied up a significant portion of the family's money in property. When the market cratered in the early 1930s, so did the Roberts family fortune. To make matters worse, Bob Roberts died in 1933 at the bottom of the Great Depression, leaving behind a widow and three children.

To make ends meet, Sara Roberts sold insurance in New Rochelle. "My parents had been a popular couple," notes her son. "She had a lot of friends. I think everyone in New Rochelle bought a policy from her that first year."

But "there it stopped," says Roberts. To economize further, Sara Roberts moved her family out of their house and into an apartment building. Determined to contribute to the family's coffers, Roberts sold ads to local merchants and printed them in a daily schedule for the bus that ran from the apartment complex into the city. Roberts also earned spending money as a member of a "little dance band," explaining cheerfully that he was bandleader because he "wasn't good enough to play an instrument."

In 1936, Sara Roberts moved her two younger children to Germantown, an old neighborhood in Philadelphia, so she could be near her terminally-ill sister. Her oldest son, Joe, remained in New York City to attend Columbia University. While Sara nursed her relative, 16-year-old Ralph and his younger sister Shirley adjusted to life in a new city. Although they missed their friends in New Rochelle, the transition was relatively easy: Roberts had no trouble with the high school academics and found time to act in the school's Shakespeare production his senior year. Making a decision about which college to attend was not difficult. The University of Pennsylvania was located within easy commuting distance of home.

Roberts paid part of his way through school by adapting his successful bus schedule advertising concept to a new audience. "I sold advertisements, but this time printed them on ink blotters," he says. "Then I would pay kids to slip them under the doors in dormitories and fraternities." Roberts clinched ad deals by telling merchants that his delivery system was less expensive per customer than mailing ads using a 3-cent stamp.

Roberts's experience in self-employment took on vital importance when his mother died his junior year at Penn. "Somehow you survive," says Roberts of losing his second parent before he turned 21. Fortunately, before long, he met his future bride, Suzanne Fleisher. The couple married in August 1942, after Roberts graduated from the Wharton School at Penn with a degree in economics and entered the Navy by way of Penn's officer recruitment program.

Roberts spent the next four years wistfully eyeing the military ships departing from the port of Philadelphia. His superiors had decided that his aptitude for business made him more valuable on land than at sea. After being sent off to learn industrial production methods at Westinghouse, he reported to Philadelphia's Navy Yard, where the military brass assigned him to ship construction and repair for the duration of the war.

It was at the Navy Yard where he teamed up with the engineer to start their new business venture. Before the golf club episode brought the partnership to a hasty conclusion, the pair managed to try their hand at several products. One was a mechanism for lifting a crate's worth of soda bottles by the neck, for use on an assembly line. "That seemed to work pretty well," says Roberts, "better than the scented ink" that the two tried to market to women to use in writing letters to their beaux.

After he and his partner went their separate ways, Roberts deemed it wise to put his entrepreneurial talents on hold. The time had come to get a regular job to cover the rent for the apartment he and his wife, Suzanne, had taken. By then, he knew that marketing was both his passion and his forte, so he put together a resume, opened the telephone book to "Advertising Agencies" and hit the pavement.

The firm of Aitken Kynette was his first stop . . . and his last: "I just walked in off the street and handed the owner my resume," says Roberts. "He looked at me, and said, 'What did you do, come in here first because our name started with an A? Or were you impressed by our list of clients?' I said, 'I must admit, I started with the A's. And you have a terrific client list—but if you don't take me, I'm going to the B's.' He hired me."

During his two years at Aitken Kynette, Roberts rose quickly from researcher to copywriter to account executive. His clients included El Producto cigars, a large Philadelphia liquor maker and the local Muzak franchise. Roberts's creativity impressed the Muzak people enough to garner him an offer to work for the company itself, which he accepted.

Moving over to Muzak was more than a job change: It opened a whole new world to the 30-year-old. He was introduced to people of national prominence, including William Benton of the Benton and Bowles advertising agency (soon-to-be Senator Benton) and Anna Rosenberg, who held high-level posts in both the Roosevelt and the Truman administrations. "I was brought right into their inner group," says Roberts, still sounding a little awed after more than half a century. "I was so impressed and so afraid that I wouldn't be up to the intellectual standards of these people."

Although Muzak's offices were in New York City, Roberts commuted from Philadelphia every day. "I didn't want to move because I wasn't certain how long I could stay in this job," he says.

Even after being promoted to vice president at Muzak, Roberts continued to feel uncertain. His angst came to a head one day in 1950 when Senator Benton walked into his office. Recalls

> "The first business thing I remember is digging up my mother's marigolds and selling them to the neighbors."
>
> **Ralph J. Roberts**

Roberts: "Benton said, 'I'm going to fly to St. Louis tomorrow, and when I get off the airplane there are going to be a lot of reporters there. I want you to give me one line that I can say that's going to be quotable. See you in an hour.'"

Roberts came up with something that pleased Benton. "I don't remember anymore what it was," he confesses, "but the pressure was tremendous. Benton thought I was a great copywriter. I knew I wasn't." By the time Roberts reached home that night, he had decided it might be a good idea to look for another job.

Luck was on his side. Roberts was approached by a recruiter to join the Pioneer Suspender Company. The company's chief was in his 80's; his son and successor suffered from a debilitating case of diabetes. Roberts agreed to come aboard, on the condition that if the owner ever decided to sell the company, he (Roberts) would have right of first refusal. Roberts had always wanted to follow in his father's footsteps and own his own business. Pioneer, he thought, could prove to be the opportunity that would make his wish come true. Two years later, the owner made good on his promise and Roberts headed for the company's banker, the Philadelphia National Bank, to borrow the necessary funds. The loan went through without a hitch, somewhat to Roberts's surprise. "How will I ever pay the interest?" he asked. The banker smiled: "Easy. Raise your salary."

For the next five years, Roberts thoroughly enjoyed his role as president of Pioneer. He had plenty to keep him busy. The company distributed its accessories to no fewer than 15,000 stores. Marketing Pioneer's products was more than half the fun. From putting on musical shows in New York City during Fashion Week (in which his actress wife Suzanne usually played a role) to creating eye-catching retail displays, Pioneer's owner reveled in dreaming up ideas to sell his company's products.

In 1961, Roberts began noting trends in fashion that did not bode well for the long-term health of his accessory lines. Beltless slacks were coming into style. "I began to get a little nervous about the belt business, which was our main item," says Roberts. "Plus men were wearing fewer ties." Shirts with cufflinks were likewise losing ground. Rather than wait for fate, Roberts availed himself of an informal standing offer from competitor Hickock to buy the business.

With money from the sale of Pioneer "burning a hole" in his pocket, Roberts set up a small investment capital firm in office space in Bala Cynwyd, a close-in suburb of Philadelphia. There the 42-year-old might have remained but for a chance encounter a year later. While strolling down Chestnut Street in Center City one autumn day in 1962, Roberts crossed paths with Warren "Pete" Musser and Daniel Aaron. He knew Musser from the Young Presidents Organization; Aaron was a stranger. The moment the pair spied Roberts coming down the block, Musser decided on the spot that the dapper executive was exactly what he was looking for: someone with the wherewithal to take a struggling cable system in tiny Tupelo, Mississippi off his hands.

Aaron, Musser's cable broker, was happy to follow his client's lead. Finding an investor for a system located in territory rife with civil rights tension was a disheartening prospect. He had despaired of finding any takers.

"Where is Tupelo," Roberts asked innocently, "and what's a community antenna television system?"

After Aaron explained how cable worked, Roberts did a bit of research. He got back to the pair a few days later: "I'll buy it," he said, "because it sounds great. It's the simplest business I've ever heard of. You put up an antenna, run a few cables on telephone poles, and then you charge people money to watch television."

Roberts had one stipulation: Aaron had to agree to manage the system, because one of Roberts's tenets was 'Don't go into a new business without an expert.' Says Roberts: "Dan said he could and he would. So, that's how I got into the cable business . . . pure chance."

Not long after Aaron joined Roberts in the tiny office in Bala Cynwyd, Roberts's accountant Julian Brodsky decided that he, too, wanted in on the action. Brodsky's past clients included a couple of CATV systems in Pennsylvania, and he considered cable to be "the greatest business in the world." Roberts wasn't too sure about adding yet another body to the cramped headquarters, but Brodsky showed up two weeks later with his own card table and chair, and the irresistible news that by putting him on staff Roberts would save two-thirds of the fee that he had been paying Brodsky's employer for the accountant's time. "That was the clincher," says Roberts.

Brodsky had a good gut feeling about his decision: "I thought that Ralph was a terrific person and a terrific businessman, so that was encouraging, coupled with the fact that I had this fond spot for community antenna television. I thought it was a growth industry in that so many parts of the country were unwired. At the time we did this there may have been 600,000 subscribers in the whole country, something like that. It wasn't yet a million. The business was great because it had so many nice tax attributes. And because of the recurring nature of the income, it lent itself to lots of financing techniques."

Roberts had no way of knowing it at the time, but he had just assembled a management team destined to thrive for more than 30 years. "They were all three different personalities," notes Bern Gallagher, who once served as the company's treasurer. "Dan was an operating guy and worried about everything. Julian was a financial guy and everything had to be proven to him. And Ralph was the visionary."

"Dan and I were very close," says Brodsky. "But in business, we were always on the opposite sides of arguments. The genius of Ralph is that he managed, out of that crucible, to get the best possible decisions and the best possible results. There was never any second-guessing once the decision was made. We would argue until we were unanimous."

Initially, Roberts had no plans to add to his original investment, but the deal brought with it two unbuilt cable franchises, in Laurel and West Point, Mississippi. As he began to build the systems, Roberts got an education in some of cable's more serendipitous aspects. The Laurel system suffered outages during every rainstorm, thanks to water seeping into the cable. When Aaron, working on location, asked for help with the problem from engineers familiar with the system, he was handed a sheaf of bamboo rods and instructed to "beat the hell out of every inch of the cable." Fortunately, a new type of coaxial cable soon took care of the problem.

In spite of such vexations, Roberts and his team could not resist some new opportunities, especially those handed to them on a silver platter. One acquisition—Meridian, Mississippi—came out of a fortuitous encounter at the Queen of Hearts roadhouse, halfway between Tupelo and Laurel. Roberts struck up a friendly conversation with a fellow craps player who mentioned

"Dan was an operating guy and worried about everything. Julian was a financial guy and everything had to be proven to him. **And Ralph was the visionary**."

Bern Gallagher

that the local cable franchise was going to be awarded the next day to a man who didn't particularly want it. Roberts dropped by the winner's office to introduce himself and inquire if the franchise might be for sale.

"Mr. Roberts," the man replied, "everything I have is for sale, including them," pointing to a picture of his wife and two daughters.

"So we made a deal. I bought it. The franchise, not the family," quips Roberts.

The local political shenanigans that ensued taught Roberts the value of having a "good old boy" on his side: "As part of the requirements of the Meridian franchise, we had to post a $100,000 performance bond by noon, one week after the award. The franchise required the cable operator to deliver service to 90 percent of the town's residents who asked for it, within 12 months. We would forfeit the bond if we didn't meet this condition. About two days before the deadline for the transfer, we were horrified to receive a telegram from the casualty company canceling the bond. I called them immediately and asked what the trouble was. Their senior vice president told me that his agent in Meridian had called him to let him know that the city fathers were sure we could never meet the 90 percent requirement. In fact, they already had plans to spend the forfeited $100,000 on new voting machines."

Roberts continues: "So we paid a visit to our Meridian lawyer, Mr. Snow, who headed up the largest law firm in the city. He had flowing white hair and looked like William Jennings Bryan. After hearing our situation, he had a phone call placed to the senior vice president of the bonding company. 'My name is Snow,' he said. 'I'm an attorney in Meridian, Mississippi. I want you to take a little time to find out who I am. And I have a message for you. If that bond you just canceled is not reinstated within 24 hours, your company will never do business in this state again. Ya hear?' Within 24 hours, we had our bond again."

The next bit of intrigue involved building the system to meet the bond's '90 percent' stipulation. Roberts and team came up with an ingenious method for fulfilling the requirement: "We strung many of our wires at night, when most people were asleep and not driving by," explains Roberts. "The day before we completed each street, we delivered a mock-up of a newspaper announcing that cable was in front of the house and if they signed up today, the fee was only $5. No one else in town even knew we were there because we did no advertising. In the process, Dan Aaron became an early innovator in the use of door-to-door marketing for cable television. And sure enough, when the 12 months were up, we hadn't completely built the whole city, but everyone who asked for our service had gotten it. We had managed to make sure that the only people who asked for cable were the ones we were ready to serve."

Marketing wasn't the only area where creativity was called for. The original Tupelo system was built to carry only three channels—the three network affiliates imported by microwave from Memphis, Tennessee. As Roberts built out new systems in Laurel, West Point and Meridian to state-of-the-art capacity—12 channels—a question arose about how best to use the extra space. Ingenuity kicked in. Roberts and his team created a "news" channel in Meridian that consisted of a camera trained on the Associated Press ticker. A "meditation channel" featured Bubba the goldfish, swimming to soothing background music. An early version of the Weather Channel offered continuing coverage of a group of weather instruments.

In Meridian, the company sponsored a Bingo contest every weekday at noon to attract potential subscribers. "We put the Bingo cards in the Meridian newspaper,"explains Roberts, "so if you bought the newspaper you got the card. We gave away prizes from local retailers, like the jewelry store and the clothing store. At the right moment, we had somebody imitating the voice of a little old lady in the front row saying, 'Oh, look at that, I think I won Bingo!'" recalls Roberts, mimicking perfectly an elderly woman overcome with delight.

Given such limits on original "programming," it's little wonder that Roberts considered cable "dull as dishwater" in the 1960s. But that didn't stop him from thinking ahead. "Ralph always had visions for his company that went way beyond" its current status, the late Dan Aaron wrote in his memoirs, *Take the Measure of the Man*. "When we only had five or six employees, he was always drawing up tables of organization with 30 or 40 people. When he had 30 or 40 people he was making organizational charts for 100 people. He was always looking at the future."

Not one for putting all his eggs in one basket, Ralph Roberts had kept his hand in businesses other than cable. In 1965, the company acquired Storecast Corporation of America, offering in-store merchandising and manpower services for manufacturers and food brokers. Three years later, Roberts and his colleagues created the Music Network out of the many Muzak franchises that Ralph had assembled with his older brother Joe. (Joe Roberts had become the executive vice president of Muzak, following in Ralph's footsteps.) In 1971, the company expanded its cable business beyond Mississippi, acquiring cable systems and franchises in western Pennsylvania.

The following year, Roberts was ready to take the company public, a move that called for giving the enterprise a catchy name. Yellow paper and pens at the ready, Roberts, Aaron and Brodsky tried out old words and coined new ones. After several brainstorming sessions, Roberts selected his favorite: Comcast—a contraction of "communications" and "broadcast."

The next step involved pricing the IPO. "When we went public," says Roberts, "we approached two or three investment houses and got Butcher & Sherrerd of Philadelphia. The stock was supposed to come out at $10 a share. About a week before the IPO, *Barron's* published an article that said cable television was the most ridiculous thing they'd ever heard of. Who would pay for television when you can get it for free? The investment banker called me and said, 'Ralph, we were going to come out at $10 but after that article I don't think anybody will buy it. How about reducing it to $7?' By that time I was desperate so I said, 'Okay, we'll take whatever you can get.'"

For those who ignored *Barron's* nay-saying, bought Comcast stock and stayed in, the rewards were sweet: "If you had bought 1,000 shares of Comcast then," says Roberts, "you would have better than $3 million today."

Roberts is quick to credit Julian Brodsky with the financial savvy behind Comcast's extraordinary increase in value. "As the years rolled by," Roberts said in an interview in the late 1990s, "Julian's real talents began to unfold as a creative, innovative financier. We financed each business separately as we acquired and built cable systems. Each one was organized to handle its

"When we only had five or six employees, [Ralph] was always drawing up tables of organization with 30 or 40 people. When he had 30 or 40 people he was making organizational charts for 100 people. **He was always looking at the future.**" **Dan Aaron** own debt without depending on the parent company. We gave stock options to our managers and made them responsible for their own P&L (profit and loss). Later, we went to the public markets ... Julian really did shine again. He created innovative financing that permitted the company to grow into a major corporation in the multimillion-dollar class."

Naturally, Comcast did not become a "multimillion-dollar class" corporation overnight. The company initially steered clear of urban areas. "When I saw people running down the street chasing our trucks," explains Roberts, "I knew people were eager to get cable. But the question was, if someone received three networks and two independents without cable, would they buy cable anyway? You had to spend millions of dollars before you could find out. That made me nervous. So, we kept looking for smaller communities far away from where a major TV station could reach. Those were the places where you were sure you were going to make out. We wanted to go to the big cities, but we thought the risk was too high."

Comcast's attitude changed after HBO began satellite distribution, airing popular motion pictures without commercials. Almost overnight, big cities became the next hot cable franchise market. Dan Aaron, who had been elected chairman of NCTA in 1977, recognized that cable was about to be transformed from a local "antenna service" into a truly national industry. He turned down the honor of serving a second consecutive term as chairman in order to hustle back to Philadelphia to help Roberts, Brodsky and Comcast dive into the franchise contests. Among the many franchises the company landed was part of Philadelphia. Comcast committed to relocate its headquarters to Philadelphia's Center City and moved into the city in 1989. By mid-decade, Comcast had doubled in size to 500,000 subscribers. Industry observer Paul Kagan soon dubbed Comcast the "little blue chip" of the cable industry.

Comcast's stature, however, was about to change from little to lion-sized. In 1985, Roberts and his team made a $2 billion bid for Storer Communications, a move unprecedented in Comcast's 22-year history. "We didn't have two nickels to rub together," says Julian Brodsky, "but we got together with Merrill Lynch and our banks, managed to put together some equity, and made a run at it. It took a lot of guts to take on the Mike Milken-led Drexel Burnham and the Henry Kravis-led KKR in a major league fight."

Comcast lost the bid to KKR—but learned a great deal about what Brodsky calls "the magic of junk bonds"—lessons that would come in handy for the next 20 years. The deal also had an unanticipated fall-out: an invitation to another dance.

A few weeks after the failed bid for Storer, Brodsky was at a meeting in Washington, D.C., when the head of acquisitions for TCI asked if Comcast would be interested in teaming up to buy the Group W cable properties that Westinghouse was then unloading. Brodsky called Roberts, who reported that he had gotten a call the same day from Time Inc.'s Nick Nicholas inviting Comcast to partner with them on the Group W deal.

"We were the 16th largest cable company at the time," says Roberts, "and here were two of the biggest operators asking to partner with us." Roberts suggested to John Malone, president of TCI, that the three companies work together. The trio teamed up on the $2.1 billion deal, and Comcast walked away with 26 percent of Group W, bringing its subscriber count to more than one million and putting it on the map.

In 1988, KKR turned around and sold to Comcast and TCI the Storer properties it had purchased just three years earlier, a deal that doubled Comcast's subscriber base yet again. Comcast was suddenly the fifth largest MSO in the country.

The growth in subscriber ranks was gratifying and a key component of Comcast's long-term plans. But collecting systems was no longer the only thing on the company's agenda. Programming had come a long way since the days of watching Bubba the goldfish do the backstroke. The successful satellite debut of HBO in 1975 had opened up great new possibilities. Dozens of cable networks had been proposed—and some even launched successfully—in the decade since HBO's debut. Many players in the cable industry were busy trying to carve out lucrative niches in programming.

One day in 1986, an unexpected opportunity strolled through the door of Ralph Roberts's office in Bala Cynwyd. His old pal Pete Musser dropped by for a visit, bringing with him a man named Joe Segel. When Roberts realized who his guest was, he rose from his desk dramatically: "If you're the Joe Segel who created the Franklin Mint, I'm not going to let you out of my sight. You're a gold mine."

Segel was indeed the genius behind the highly successful Franklin Mint. For years, Roberts had admired the "gorgeous advertisements" for the Mint's limited-edition products. He likewise admired the Mint's creator for having the Midas touch of retailing. When Segel explained that he was trying to decide whether to start up a new catalog venture or a television merchandising operation, Roberts knew exactly how to answer.

From his advertising days, Roberts understood that "if you demonstrated something well to a group of people, you would make sales to some of them." Here was an opportunity to demonstrate products to millions of people, orchestrated by an expert. "'Forget the catalog business,' I said. 'Go into television merchandising. And if you do, I'd like to make a big investment in your company." Roberts and Segel spent some time together watching an existing home shopping network. The pair found it schlocky. "I think I can do this right," Segel told Roberts.

Segel worked up a business plan, and Roberts launched a campaign to sign up other cable operators to carry the new network, which Segel dubbed QVC. ("It stands for Quality, Value and Convenience," Segel said, "because that's what we're going to sell to the public.") To win support for the new channel among cable operators, Roberts promoted the prospect that QVC would go public. Operators would get stock up front in proportion to the number of subscribers they delivered for QVC. MSOs who held QVC's stock would make a killing.

"Don't let it slip through your fingers," Roberts remembers telling his cable colleagues. In the end, he says, "we sold almost everybody."

Securing a slot on a satellite was another challenge. Few "birds" were flying at the time, and finagling space on one was not easy. Segel turned to evangelist Pat Robertson to buy time on the 700 Club's stand-by satellite. Robertson was willing to rent space to Segel, but stipulated that if his main satellite "drifted away or got struck by lightning," says Roberts, Segel would have to forfeit his slot. Segel agreed.

"When I saw people running down the street chasing our trucks," says Roberts, "**I knew people were eager to get cable.** But the question was, if someone received three networks and two independents without cable, would they buy cable anyway? You had to spend millions of dollars before you could find out. That made me nervous."

"Joe had a lot of courage," says Roberts. "He poured a lot of money into this. The satellite charge was $70,000 a month, plus several million up front. Fortunately, QVC took off like a rocket."

QVC did so well, in fact, that it attracted the eye of John Malone, who at the time was backing a smaller TV retailer in partnership with Irwin Jacobs. Malone convinced Segel to buy out his rival channel. In exchange, Malone—who had earlier invested in QVC—received a slight boost to his QVC holdings.

Some years later, when Segel decided to retire, Brian and Ralph Roberts persuaded Barry Diller to become the head of QVC. When Diller subsequently decided to acquire CBS, using QVC as the vehicle, Comcast blocked the move "because we didn't want CBS to buy out our baby," Roberts said. The episode ended when Comcast and Malone bought out the other partners in QVC and negotiated a new ownership arrangement between themselves. "I'm not interested in running anything," Malone told Roberts. "I just want to make a major investment." Roberts agreed; Malone took 43 percent and Comcast retained the rest. The idea that was born in Ralph Roberts's office in 1986 is today a robust business of over $4 billion in revenues.

Having gotten a taste of programming success, Comcast expanded into other ventures as the 1990s unfolded. The company invested in the Golf Channel and Outdoor Life, among other channels, and partnered with The Walt Disney Company for a controlling interest in E! Entertainment Networks. In 1997, the company unveiled a regional all-sports channel featuring the Philadelphia Phillies, the Philadelphia Flyers and the 76ers. The latter two were also part of the new Comcast-Spectacor, Comcast's "super-regional" sports venture. Comcast also acquired and rebranded the Washington D.C.-based HomeTeam Sports. Comcast continued to add subscribers, climbing from fifth-largest MSO to third. Even as its peers reeled from re-regulation in the early and mid-1990s, Comcast hit a major milestone, logging $1 billion in revenues for the first time in 1993.

As much as he loved the cable industry, Roberts continued to pursue opportunities in other fields. In the 1990s, Comcast became a major player in cellular phones by building on an initial investment Roberts had made in 1988.

"I thought cellular was a marvelous business," says Roberts. "Being able to walk around with a telephone in your hand. I thought: 'Everybody's going to want one.' Plus, it was diversification. I didn't like having all of our money in the cable industry, because there were always crises: The radio stations and television stations wanted to get rid of us; the telephone companies were going to bury us; and everybody picked on us. Cellular just seemed like a nice brand-new business that, like cable, has recurring monthly income."

Comcast ultimately sold off its cellular business, but during its stint as an active player, the company built up its assets to become the leading cell phone service provider in the mid-Atlantic metropolitan corridor, capturing 51 percent of the market against many competitors, including AT&T and Bell Atlantic.

The company that Paul Kagan had once called "cable's little blue chip" was now becoming a major force in the industry. And its founder had become an institution. In 1990, Roberts won the Walter Kaitz Foundation Award. Three years later he was named to *Broadcasting and Cable's* Hall of Fame, and he won the 1993 Vanguard Award from NCTA. In 2000, Roberts was inducted into The Cable Center's Hall of Fame in Denver.

Given Comcast's size and its founder's stature, no one who could get an eye open in the 1990s was surprised to see Comcast at the center of many of the decade's headline-stealing deals. From the showdown with Barry Diller over the fate of the QVC network in 1994, to the 1999 battle between Comcast and AT&T over MediaOne, the quiet, bow-tied Roberts was clearly one of the titans of the cable industry. Even the MediaOne deal—which Comcast "lost"—demonstrated the company's mastery of the art of the deal. As the price of walking away, Comcast extracted a $1.5 billion "break-up fee" from AT&T and the opportunity to buy prized systems serving two million subscribers.

"Ralph just has the instinct for the right terms of a deal," says Decker Anstrom, former head of NCTA. "The right time to make a deal, the right time to make a decision . . . or not make a decision. He's just a wonderful, instinctive businessman."

Alan Gerry, founder of Cablevision Industries, agrees: "Ralph is one of the smartest guys in the business by far. He will go down in history as the guy who won all the marbles."

Roberts would be the first to say that one of the sweetest aspects of Comcast's success in the past ten years is having his son Brian at the company's helm. Of the Roberts's five children, Brian was the only one who wanted to go into the business.

(Each of Roberts's other children is "doing his or her own thing with great success," says their father. His eldest daughter, Catherine, has been on the faculty of a medical school and is currently serving on the board of the Philadelphia Orchestra and the Kimmel Performing Arts Center. His second daughter, Lisa, is an architect and designer associated with the Philadelphia Museum of Art, of which she is a board member. The eldest son, Rob, is the chairman of an academic department at a university. The youngest son, Douglas, is an assistant district attorney. Their actress mother, Suzanne, who is noted for her multitude of public service activities and television programming, hosts her own Emmy Award winning show, "Seeking Solutions with Suzanne," seen daily on CNN Headline News on Comcast systems.)

"Ralph didn't just hand the company to Brian," says Frank Drendel, chairman of CommScope, Inc. "Brian went out and earned it—climbed poles, did sales, knocked on doors, worked his way up to understand the business from the grassroots."

Brian Roberts's first job for Comcast came when he was in junior high in the 1970s. "On weekends," says his father, "he would come to our office and punch holes in the payment coupon books we sent to our subscribers. We paid him 25 cents an hour. If he did an especially good job, I think we paid him a modest bonus. When he got to high school, I used to take him with me when we negotiated loans with the lawyers, bankers and insurance companies. He would sit in a corner and take it all in, following strict instructions not to open his mouth."

In spite of his father's gentle discouragement, the Wharton graduate stuck to his determination to join the company full-time. "I explained it would be better if he worked for someone else for two or three years," says Ralph Roberts, "and then brought back some fresh thinking to the company." But his son was "persistent, day after day, until finally, he looked me in the eye and

"**I didn't like having all of our money in the cable industry, because there were always crises**: The radio stations and television stations wanted to get rid of us; the telephone companies were going to bury us; and everybody picked on us." **Ralph J. Roberts** said: 'Why are you rejecting me? You're not getting any younger. I would like to work for you for a few years, before you're gone.'" Roberts relented and told his son to start work the next week.

Brian's first serious job was at the company's Trenton, New Jersey system, followed by a stint as assistant manager of Comcast's system in Flint, Michigan. Over the years he proved himself and in 1990 was named president of the company, a signal that the process of passing the torch had begun in earnest.

"Ralph Roberts has done by far the best in thinking far into the future in terms of the business pieces and in terms of succession," says David Van Valkenberg. "He's done a very, very good job with getting Brian prepared to take over and appears to have done a very good job of stepping away, giving Brian the limelight."

"Ralph and Brian have the most remarkable father-son relationship I've seen in any context," Leo J. Hindery, Jr. told *Fortune* magazine in 2001. "Rather than battling each other, as fathers and sons often do in a family business, they have this supportive, loving relationship."

At the same time, Roberts has said that if his son had not shown sufficient talent, he probably would have sold Comcast. "You can't sacrifice all the people in the place for a poor manager," Roberts told *The New York Times* in 1997. "The most dangerous thing is a son or daughter coming into a business where they think they get special treatment. They drag the business down because it kills the morale of everybody in the company."

In 2000, Ralph Roberts gave his son Brian the biggest vote of confidence to date by transferring his voting stock to him.

Ralph Roberts is clearly tickled by his heir's knack for bold decisions. In 1997, Brian Roberts helped raise cable's fortunes during a now-legendary encounter with Microsoft's Bill Gates at a cable industry gathering.

"Bill Gates was demonstrating for the CEOs of some of the major cable MSOs some of the wonders that he was going to produce," says Ralph Roberts. "Gates was criticizing the cable operators for not rebuilding their systems fast enough."

Roberts continues: "So Brian spoke up: 'If you really want to help, why don't you buy ten percent of every cable company? Then we can rebuild faster.' A couple of days later, Brian got a call from the chief financial officer of Microsoft who said, 'We want to follow up your conversation with Bill about our buying ten percent of your company.' So Brian said, 'Sure, but let me talk to my father.'"

Within days, Gates had bought one-tenth of Comcast for $1 billion. "I'll tell you, I expect anything from Bill Gates and I expect anything from Brian," Ralph Roberts chuckles.

Roberts also wasn't the least bit surprised when, four years later, his son proposed the biggest deal in Comcast's history: a $52 billion play for AT&T Broadband. It took the better part of a year, and a very public back-and-forth between Comcast and AT&T, to close the deal. Ralph Roberts backed his son all the way. As satisfying as it was to win, the sweetest moment for Brian Roberts came after the victory.

"In some ways, AT&T had been a maniacal focus for me for several years," says Brian. "The day AT&T agreed to the deal, my father and I both happened to be staying at the St. Regis in New York. A group of us were waiting in my room for the call to come in. It came late in the day. We went to meet with AT&T and signed the papers cementing the deal. Then everyone had champagne at the lawyers' offices. I went to talk with a few reporters and got separated from my dad. Eventually, a small group of us, including Ralph, collected at the St. Regis for a drink. We were all exhausted and we were facing an investors' conference the next day, so everyone wanted to go to bed. My father and I ended up being the only two people in this group staying on the same floor—by sheer coincidence. We got off the elevator together, just the two of us. We wandered down the hall and stopped at my door. He put his arms around me and said, 'This is a miracle. I'm so proud of you.' And, of course, we were both crying. We had worked so hard, plotted it out, thought it through. We'd gone around and gotten people to support us. It was a come-from-behind victory. There have been so many moments like that, when Ralph says just the right thing at just the right time."

For Ralph Roberts, watching his son grow into the role of an industry leader has been gratifying. "He has always said that you can't always build a great company in one generation," says Brian Roberts. "He doesn't have a big desire to have his name on buildings or on the company. But being able to work with his kid . . . I think that has made it special for him."

Ralph Roberts agrees that building the largest cable company in the United States—one which serves 21 million subscribers—was extremely satisfying, but more significant was doing so "while still holding on to a small family-business culture."

"It's easy to establish a fine culture when you're small," observes Roberts, "because the company is really an extension of yourself. However, as you get bigger and you involve more and more people, it's much more difficult. We stress to every employee that you should be your own person, that you should feel that this place has a responsibility to you, that it is still a family. If you don't like what's going on, stand up and tell people you don't like it. I've always encouraged folks to feel that the company belongs to them. We gave away stock options at the very beginning. Whenever I see a great big boat sitting on the front lawn of some manager's house, I ask, 'Where did that come from?' 'Oh, that came from my stock options.' That feeling of ownership is something you have to hang on to no matter how big you get."

Roberts advises young entrepreneurs to have "an idea of something you think would be a successful business . . . something to hang your hat on. Then you have to have determination, because you're going to have ups and downs, and you have to be able to live through the down cycle in order to get to the up cycle.

"You should also have some imagination so that you can see something perhaps where no one else does," counsels Roberts. "Plus a willingness to take a risk—and to move on to something else if the idea turns out not to be a good one. Remember, too, that the more benefit the buyers get out of whatever you've got, the more successful you'll be, so your idea should be one that does something good for lots of people."

"Be comfortable with yourself" might be another tenet of Ralph Roberts's philosophy and style. "My father welcomes differing points of view," says Brian Roberts. "He doesn't surround himself with yes-men and -women or shrinking violets. Some entrepreneurial companies may fall into that trap, where, sadly, nobody is willing to say, 'I don't think you should do that.' To

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my father's credit, he's always had strong-minded, individualistic, smart people in his partnership inner circle, and even if they don't always agree all the time, that's okay.

"What has taken Comcast a little further," Brian Roberts continues, "is my father's desire to hand over something lasting to others. He wanted to be an entrepreneur, but one who created a company that is professionally managed, rather than being an entrepreneur who says, 'I want to make every decision myself.'"

"Ralph is the ultimate entrepreneur," wrote Dan Aaron in his memoir. "His sense of timing is precocious. He mulls over his strategy endlessly, but once he goes into action, sparks fly. When he attains his goal he modestly withdraws and lets others take the credit. He has participated in every major decision of the company. That the company mirrors Ralph's personality is undoubtedly the greatest tribute we can pay him."

Says Ralph Roberts: "There's a great deal of pleasure to be had in helping to create something meaningful. I mean, if I had been an instrumentalist and could play the cello like Yo-Yo Ma, that would have been my joy. Instead, I happen to enjoy the intrigue of business generally, and all its ramifications. Through pure good luck, I fell into a business that I really believed would be a winner. It provides a service most people want: a bigger variety of television programming. Cable was a way to give viewers more sports, movies, and special programming than they could ever get over the air. We brought them choice. We've gone from three channels back in Tupelo to over 200. And by delivering the power of choice, and focusing on internal growth and an aggressive acquisition strategy, Comcast has grown from 1,200 subscribers to 21 million. I think back to sitting in Mr. Snow's office in Meridian, trying to save my business. Never in my wildest dreams did I think I'd be sitting where I am today.

"If I had a choice between having a large pot of money and no business, or having a business and less money, I'd rather have the business," concludes Roberts. "It's more intellectually stimulating. And you're building something. There was never any intention on my part to sell out.

"Then, along came Brian," he says, smiling. "And it was perfect."