COMCAST HAS SPENT THE BETTER PART OF A DECADE ALIENATING CUSTOMERS, COMPETITORS, AND REGULATORS. THE DENOUEMENT OF THIS CASE STUDY IN BAD CUSTOMER AND CORPORATE RELATIONS? THE FAILED MERGER WITH TIME WARNER CABLE. HERE’S THE INSIDE STORY OF A COMPANY MANAGEMENT SO SURE OF VICTORY THAT IT DROVE NEARLY EVERY ALLY IT MIGHT HAVE HAD TO THE OTHER SIDE.
It wasn't just that the merger fizzled. Lots of proposed unions don't end up being consummated. It was how it failed. The deal's demise and the years leading up to it present a case study in corporate solipsism. Comcast, say many, has long acted like the company that never needed anybody—seeming to alienate networks on its cable system, Silicon Valley partners, and countless numbers of its own customers— to the point where it found itself with few allies when the merger was being reviewed. The Philadelphia company, indeed, might offer a rare lesson in whether having a reputation for good corporate community-ship actually matters in today's hypercompetitive world.

More than two dozen interviews with industry insiders and a trail of government filings reveal a striking array of parties that were apparently hostile to both Comcast itself and its proposed coupling with TWC—from programmers like the Tennis Channel to Netflix, whose CEO at one point told investors his main goal was to squelch the Comcast merger. Joining the ad hoc army against the deal were organizations as varied as Dish Network; the Writers Guild of America, West; and a fan site called the Harry Potter Alliance. So broad was the coalition that it included a fan site called the Harry Potter Alliance. So broad was the coalition that it included)

“Show me the Comcast-Time Warner Cable merger,” he says. Suddenly Vin Diesel is on screen. His Fast and the Furious character shouts for someone to “Get down!”—then a house explodes. The audience erupts in laughter.

“That pretty much sums it up,” says Roberts. “So we really are moving on.”

“We’re moving on” is a phrase that Roberts has been saying a lot lately. He said it at the day before, when Comcast announced its blowout first-quarter earnings (a 10% rise, to $2.06 billion), and he said it on April 24, when the company walked away from its failed $45 billion bid for FWC. It’s no wonder why. The experience was a traumatic one for the company—or should have been.

THE CABLE GUYS For over a decade these two execs have arguably been calling most of the shots at Comcast. Cohen in particular wears many hats, not only shepherding the cable company’s acquisitions but also acting as its chief diversity officer.

Justice Department was one of the two government bodies tasked with evaluating the proposed merger’s effect on consumers and competition. The vast majority of comments were against the deal. By contrast, AT&T’s proposed merger with T-Mobile in 2011 elicited 40,526 comments before the parties abandoned the idea.

As it happens, Roberts couldn’t have picked a better movie scene in his Chicago talk to capture the deal’s implosion: It was fast and furious.

WHEN THE NOTION OF combining America’s No. 1 and No. 2 cable providers was first proposed in the day before Valentine’s in 2014, a number of politicians and nonprofit groups wrote letters of support to the FCC. Many enthused Comcast’s Internet Essentials program, which offers discounted connectivity to lower-income families and schools. A combined Comcast-TWC, they said, could extend these benefits to even more regions. But even such lofty goals seemed to pale in the face of an army of angry cable and broadband subscribers.

Comcast’s customer-service snafus were so legendary that they’d become a national meme, turning the more epic conversations with its customer-service reps into viral phenomena. cinnamon cookies became a fan site, with countless blogs and message boards devoted to cathartic tirades about the company’s service. Comcast is one of only two brands to have won the “Worst Company in America” title twice from the Consumerist, a blog owned by ConsumerReports. Comcast is one of only two brands to have won the “Worst Company in America” title twice from the Consumerist, a blog owned by Consumer Reports. Comcast took the title in 2010 and again in 2011. For the past several years the Philadelphia company has also ranked near the very bottom of the American Customer Satisfaction Index, an annual ranking of organizations across 45 industries. The latest report of the index placed Comcast’s Xfinity Internet service 234th out of 236 companies, below airlines like U.S. Airways and United even in the Internal Revenue Service. To be sure, Comcast’s peers don’t fare much better; Charter Communications, Time Warner Cable, and other providers typically rank near the bottom of such surveys.

“Get you some jockeys for positions, but for the most part these companies really don’t move,” says David VanAndel, managing director of the ACNeilson survey. Customers generally don’t care anything about it, he points out, because there are often so few alternatives—or in some cases just none.

Still, knowledgeable sources say, while consumers’ overwhelming disapproval of the deal carried substantial weight with regulators, legions of corporate interests probably played an equal one. As numerous and prolific FCC filings show, these foes didn’t spare words (or legal resources) in arguing the ways the deal could thwart competition—and the ways they believed Comcast had already unfairly harmed its rivals.

For years Comcast has been embroiled in litigation and high-profile disputes with a dizzying list of cable programmers, including Discovery Communications, the NFL Network, and a Spanish-language station named Estrella TV, among others. Most of the disagreements have been over carriage-fees negotiations (the money Comcast pays the networks in exchange for the right to transmit their channels to cable TV subscribers). Some have even resulted in bloquees and lockouts, where channels are removed from service.

The movement to stop the merger gained momentum in the final weeks leading up to it present a case study in corporate solipsism. Comcast, say many, has long acted like the company that never needed anybody—seeming to alienate networks on its cable system, Silicon Valley partners, and countless numbers of its own customers—to the point where it found itself with few allies when the merger was being reviewed. The Philadelphia company, indeed, might offer a rare lesson in whether having a reputation for good corporate community-ship actually matters in today’s hypercompetitive world.

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treatment in a much more popular channel lineup.

The FCC agreed with the Tennis Channel, ordering Comcast to pay a fine to the network and to give it equal placement. Comcast appealed and won. The D.C. Circuit Court of Appeals over-turned the FCC’s decision, concluding that there was insufficient proof of discrimination. But Comcast’s victory would come back to bite it when the Comcast-TWC deal emerged, the FCC sought out the Tennis Channel for its take on how such a merger could impact consumers. “[FCC chairman] Tom Wheeler really got his teeth into this,” says Ken Solomon, CEO of the Tennis Channel, “and he quickly realized how tough these guys had been on all of us and how hard it was going to be to impose any conditions on a company like Comcast.” (A spokeswoman for Comcast asserts that the company has never discriminated against any channel.)

Glen Beck, the conservative creator of independent network TheBlaze, also made his voice heard, even asking his viewers to write to the FCC in opposition to the deal. “I believe that businesses should operate free of government intervention,” Beck wrote on his website when the merger debate was still in full force. “But these companies are government-sanctioned monopolies with the power to silence independent, competitive voices like TheBlaze if it furthers their business interests.”

Other larger channel sellers, such as the Walt Disney Co. and 21st Century Fox, didn’t publicly oppose the merger but met with regulators to try to persuade them to block the deal, sources tell Fortune. Comcast, meanwhile, countered that many of these critics were self-serving. In a December filing with the FCC, the company called out a few specific channels for “attempting to leverage the transaction-review process to obtain higher fees and terms they could not reasonably expect in the competitive marketplace—which would ultimately raise rates for consumers.”

By the time this filing was issued, the coalition against the Comcast merger was in full swing. One of the most outspoken critics of the deal, satellite-TV provider Dish Network, sent the FCC a 266-page affidavit outlining 53 ways that a combined Comcast-TWC could “substantially” undermine the existing competition. (The filing was one of nearly 70 submitted by the company over the course of the merger-evaluation process.) The myriad accusations and apprehensions mainly boiled down to this: Comcast had already shown it had the capacity and the incentive to discriminate against its competitors, Dish argued; allowing it to merge with TWC would only give it more power to squeeze out others in the industry.

“We know that no one ever seizes power with the intention of relinquishing it,” began Dish’s lengthy December filing, quoting directly from George Orwell’s dystopian novel, 1984. Further down in the document, the company again borrowed from pop culture to make its repetitive point: “Comcast is almost like the Hotel California of broadband, an establishment guests can check into but never leave.”

Comcast issued a lengthy reply, forcefully denying Dish’s allegations and accusing the satellite network of “blatantly seeking protection from the forces of fair competition that would benefit consumers.”

But the fact is, customers often do find themselves “locked” into Comcast because of a lack of alternatives for broadband service. While there is an explosion of video-watching options on the market, an estimated 61% of U.S. households still have just one or no high-speed ISP servicing their region. This lack of choice doesn’t just affect consumers. Even as companies like Dish—more specifically, its streaming service Sling TV—represent a direct challenge to the traditional cable model, they also depend on its proprietary pipes to seamlessly deliver their products to consumers.

Seeds of companies rely on those pipes. But none more so than Netflix, whose streaming-only shows hog an extraordinary one-third of Internet traffic. For weeks Netflix had been publicly feuding with Comcast over the broadband speeds the former was getting over the latter’s network. The “he said/she said” details over who alleged what to whom are difficult to sort out. (We tried, but couldn’t.) The one thing that was clear, however, was that legions of customers complained that their episodes of House of Cards were disrupted midstream. The accusation flew every which way until at last, on Feb. 23—10 days after Comcast announced its bid to merge with TWC—the parties came to an agreement that both sides called “mutually beneficial.” But the truce was fleeting. Just a few weeks later Netflix was publicly lambasting Comcast again. Netflix claimed in filings with the FCC that it was essentially bullied into signing the agreement with Comcast; the cable giant, in turn, called that claim preposterous. (Cue more he said/she said here.)

There was irony to all of it: Netflix, with its more than 57 million customers, painted itself as the Silicon Valley underdog and defender of the web’s egalitarian ethos—and Comcast as the greedy gatekeeper of the Internet. Nei-ther image reflected the pure truth, but it sort of didn’t matter. Comcast’s reputation was already so bloodyed that it was easy for the House of Cards–loving masses to think the cable giant was guilty of any number of high crimes and misdemeanors.
large players to combine forces doesn’t thwart competition.) Add in the millions of dollars Comcast poured into Washington via lobbying and political donations, and the cable giant was all the more formidable.

With more than 100 full-time lobbyists in D.C., Comcast runs one of the largest and priciest lobbying paraphernalia. In the first quarter of 2015 the company reported $4.7 million in such spending, making it the second-most-generous corporate lobbyist, according to the Center for Responsive Politics. (Search giant Google came in first, with $5.5 million.) Comcast’s spending has only grown over the years. In 2014 it shelled out a total of $37 million on lobbying efforts, representing a sevenfold increase since Roberts took over in 2002.

Comcast didn’t have just the money; it had power relationships too. While Roberts’s chummishness with the current administration has been well-documented (Google this: President Barack Obama, Brian Roberts, Martha’s Vineyard), the company’s real point person in D.C. has long been executive vice president David Cohen, a onetime chief of staff to Ed Rendell when Rendell was mayor of Philadelphia.

According to a person close to the company, Roberts once shared with a roomful of executives a favorite story about Cohen: Back in 2000 both men were part of a nonpartisan committee trying to woo the Republican National Convention to Philadelphia. One day, as Roberts was on his way to give an important pitch to the party, he hit a nasty traffic jam. Desperate, he called Cohen, who was already at the convention center. “It’s a dammed, at least a bit, with the rationale behind its TWC merger.

One might assume that the approval of the new Internet rules would have helped Comcast’s case—as more regulated body, it would now have the proper safeguards of any market. In minimizing the risk that it would infringe upon the open Internet in any way. But the very vocal debate leading up to the decision—which at one point even caused the FCC’s aging website to crash—had the opposite effect on the companies’ bid to become one. All of a sudden, people across the country were acutely aware of who controlled their pipes and developed strong feelings about putting too much power into the hands of one gatekeeper.

After all, why would the government promote an open Internet and then turn around and consolidate more than 50% of the country’s broadband subscriptions under a single company? It was a question that both Democrats and Republicans in Congress were increasingly asking. GOP lawmakers, in particular, might have been more inclined to oppose any heavy-handed regulation but were conflicted about greenlighting any deal that could limit what they considered to be “the most powerful interconnection in the world.” In almost every place a cable company operates, they operate with a tremendous amount of market power,” says Rep. Darrell Issa (R-Calif.). “We’re allowed there to be little choice in most areas.”

By the time the Comcast-TWC merger imploded, politicians and elected officials on both sides of the aisle were
cheering. Attorney General Eric Holder, who stepped down from his post the same day Comcast walked away from the deal, declared, “The companies’ decision to abandon this deal is the best outcome for American consumers.”

**AMID ALL THE BATTLES**

and racket and hits to reputation above, the company amassed an enviable financial record, the kind other companies look to as a model. Over the past five years Comcast has more than doubled its operating profit (to $14.9 billion in 2014), nearly doubled its revenue (to $60.8 billion), and increased total shareholder return (up 278%) by more than twice the rate of the Nasdaq. So why should it bother to change? The answer, surprisingly, has to do with those customers who used to have nowhere else to turn. While the options for broadband providers remain limited in many regions, there is an explosion of online content available at consumers’ fingertips. And what consumers want, at least according to viewership trends, is to watch stuff online. Loads of it. Live TV viewing has decreased, and 40% of households now subscribe to an on-demand service such as Netflix and Amazon Prime. (The trend is evident in Comcast’s numbers: It lost 8,000 cable TV subscribers last quarter.)

Comcast’s answer to the decline is X1, its Internet-connected platform that allows customers to view content on their television screens, laptops, and mobile devices. The company has issued 5 million X1 boxes to date and says 25% of its triple-play customers (subscribers to bundled Internet, TV, and phone service) now use the product. It has gradually added partners like Facebook and Nest (a social network for neighborhood), and recently announced integration with home automation services like Google’s Nest. But the long-term goal is to develop it into a far-reaching platform that also lets customers access online content from multiple sources—even Comcast’s competitors.

“I think ultimately you want to give the consumers the best experience,” says Neil Smit, CEO of Comcast’s cable communications division, which includes the company’s TV and broadband services. “So if the consumer wants to have access to Netflix or Hulu, then we should give them a simple way of doing that.”

It’s hard to imagine a day when Comcast offers an integrated Netflix app on its set-top box. But making nice with its enemies could be the best strategy as it tries to curtail its losses on the cable-TV side.

It’s not only Comcast that’s having to rethink its content strategy. The shift to online consumption is breaking the entire cable-TV model. Programmers, who have relied on traditional channel bundles (and the fees and ad dollars they generate) for decades, are also scrambling to come up with their own direct-to-consumer offerings while at the same time fighting the growing call for unbundling.

The growing alternatives for content consumption—both from Silicon Valley players and programmers like HBO and CBS—mean Comcast has to compete not only by developing equally compelling online services but also by keeping subscribers happy. Given its customer-service rep sheet, that’s no easy feat. “You can give the coolest user interface in the world, but if you call and are put on hold, that’s detrimental to what we’re trying to do,” acknowledges Matt Strauss, executive vice president of Comcast’s video products.

**SOURCES CLOSE TO THE COMPANY**

say it is serious about turning around its customer-service reputation—no, really this time. Although CEO Roberts has professed his commitment to improving Comcast’s image in the past, he now appears to be putting his money where his mouth is. The company has already earmarked $300 million toward overhauling its customer experience. In early May, Comcast announced that in addition to those already allocated funds, it would invest in new call centers and hire an additional 5,000 customer-service workers over the next few years. Other new initiatives include an Uber-like app that lets customers track and rate technicians, and a $20 credit when a technician is late or doesn’t show up. (This latter policy has actually been in existence for years, but most customers don’t know about it. Comcast says the credit will now be automatically applied to customers’ accounts when a technician is tardy.)

The company knows it needs more than Band-Aids. It also unveiled that all 84,000 of its employees—including senior management—would participate in customer experience training every year. Another internal shift: Its call service reps now use a new, home-grown tool called Einstein, a software system that gives them a more “holistic” view of a customer’s previous calls and complaints. (Because so many of Comcast’s customers have been inherited from other providers, the software that its customer-service workers used has long been a patchwork, making it even more challenging to quickly diagnose problems over the phone.)

All of these initiatives fall under the purview of longtime exec Charlie Herrin, the company’s newly appointed executive vice president of customer experience.

“Customer expectations are up there. They do have more choice, and they will vote with where the value and the services are,” Herrin, Comcast’s former head of product, tells *Fortune*. “It’s a massive challenge that’s changing rapidly every day. Whether it’s Uber or Zappos or whomever you want to point to, [the consumers’] expectations are beyond the old time.”

According to Herrin, Comcast has already cut down on late appointments by 29% over the past three months and has shown an 18% improvement in how quickly phone calls are answered. His team meets weekly with Smit to update them on progress. When the topic turns to TWC’s own high profile in customer-service fails, Herrin seems genuinely fazed: “My reaction is, that’s not us. It can’t be us. We can’t let that happen. I take it very personally.”

The company says it got serious about fixing its customer-service image before it ever thought of merging with TWC. Asked whether his customers’ criticisms had anything to do with the merger’s failure, Herrin had this to say at a press event during the big Chicago cable expo: “You would have to ask the decision-makers, but I think irrespective we have been on this journey for a while. Probably my own view, deep down, it didn’t. It wasn’t deterministic.”

We’ll never know that for sure, of course. But if the company’s mean-girl rep wasn’t “determinative” in thwarting the merger, it has clearly become the company’s mean-girl rep, and the long-term success of the company is now more closely tied to improving Comcast’s image. In early May, Herrin announced that in addition to those already allocated funds, it would invest in new call centers and hire an additional 5,000 customer-service workers over the next few years. Other new initiatives include an Uber-like app that lets customers track and rate technicians, and a $20 credit when a technician is late or doesn’t show up. (This latter policy has actually been in existence for years, but most customers don’t know about it. Comcast says the credit will now be automatically applied to customers’ accounts when a technician is tardy.)

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