SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the second quarterly period ended June 30, 1997.

PIA MERCHANDISING SERVICES, INC.

19900 MacArthur Blvd., Suite 900, Irvine, CA 92612

Registrant's telephone number: (714) 476-2200

Commission file number 0-27824

I.R.S. Employer Identification No.: 33-0684451

State of Incorporation: Delaware

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: [X] Yes

On July 31, 1997, there were 5,392,558 shares of Common Stock outstanding.

PIA Merchandising Services, Inc.

Index

PART I: FINANCIAL INFORMATION
Item 1: Financial Statements

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	June 30 1997 (Unaudited)	December 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,706	$ 19,519
Accounts receivable, net of allowance for doubtful accounts of $909 and $583, respectively	17,834	22,630
Prepaid taxes	1,581	-
Prepaid expenses and other current assets	818	564
Deferred income taxes	669	669
TOTAL CURRENT ASSETS	38,608	43,382
PROPERTY AND EQUIPMENT, NET (SEE NOTE 2)	3,711	1,847
INVESTMENTS & OTHER ASSETS:		
Investment in affiliate	375	322
Capitalized software development costs (see note 2)	-	1,987
Other assets	707	134
TOTAL OTHER ASSETS	1,082	2,443
TOTAL ASSETS	$ 43,401	$ 47,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 531	$ 772
Other current liabilities (see note 3)	11,868	9,762
Income taxes payable	-	111
TOTAL CURRENT LIABILITIES	12,399	10,645
LONG TERM LIABILITIES	309	309
TOTAL LIABILITIES	12,708	10,954

STOCKHOLDERS' EQUITY:		
Common stock & additional paid-in-capital	33,487	33,425
Less: Treasury stock	(2,977)	-
Retained earnings	183	3,293
TOTAL STOCKHOLDERS' EQUITY	30,693	36,718
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 43,401	$ 47,672

See accompanying notes.

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1996

(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
(In thousands, except per share amounts)	1997	1996	1997	1996
Net Revenues	$ 31,643	$ 26,855	$ 60,999	$ 53,114
Operating Expenses:				
Field service costs	29,638	21,845	56,007	42,108
Selling expenses	2,507	2,967	5,061	5,623
General and administrative expenses	2,236	1,853	4,685	3,593
Depreciation and amortization	262	152	459	299
Total operating expenses	34,643	26,817	66,212	51,623
Operating Income (Loss)	(3,000)	38	(5,213)	1,491
Other Income:				
Interest income, net	219	286	450	329
Equity in earnings of affiliate	28	-	52	-
Foreign currency transaction loss	(1)	-	(1)	-
Total other income	246	286	501	329
Income (Loss) Before Provision For Income Taxes	(2,754)	324	(4,712)	1,820
(Provision) Benefit For Income Taxes	812	(118)	1,602	(717)
Net Income (Loss)	$ (1,942)	$ 206	$ (3,110)	$ 1,103
Net Income (Loss) Per Common And Common Equivalent Share	$ (0.35)	$ 0.03	$ (0.54)	$ 0.19
Weighted Average Common And Common Equivalent Shares	5,531	6,454	5,714	5,692

See accompanying notes.

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1997 AND 1996

(UNAUDITED)

(In thousands)	For the Six Months Ended June 30, 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (Loss)	$ (3,110)	$ 1,103
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	459	299
Provision for doubtful receivables, net	326	169
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	4,470	(2,924)
(Increase) decrease in prepaid expenses and other	(2,468)	(679)
Increase (decrease) in accounts payable and other liabilities	1,865	(123)
Increase (decrease) in income taxes payable	(111)	(382)
Net cash provided by (used in) operating activities	1,431	(2,537)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(163)	(194)
Capitalization of software development costs (note 2)	(166)	(200)
Net cash provided by (used in) investing activities	(329)	(394)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of Treasury Stock	(2,977)	-
Payments of long term debt	-	(3,400)
Proceeds from issuance of common stock, net	62	26,609
Net cash used in financing activities	(2,915)	23,209
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,813)	20,278
CASH AND CASH EQUIVALENTS,		
Beginning of period	19,519	185
End of period	$ 17,706	$ 20,463
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	-	-
Cash paid for income taxes	$ 98	$ 1,637

See accompanying notes.

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands, except per share amounts)

1. Basis of Presentation

(In thousands, except per share amounts)

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 1996, included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. Operating results for the three month and six month periods ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

2. Property and Equipment

As of the year ended December 31, 1996, the Company capitalized certain software development costs per accounting policy. These costs were classified in the Other Assets balance sheet classification until software was ready for release. In the second quarter of 1997, the Company released the software, including additions during the six months ended June 30, 1997, and has classified these costs as part of Property and Equipment, reducing the amounts reported in Other Assets. These costs are being amortized over a five year period. The amounts in Property and Equipment consist of:

	June 30, 1997	December 31, 1996
Equipment	$ 3,493	$ 3,343
Furniture and fixtures	642	641
Leasehold improvements	130	118
Capitalized software development costs	2,153	-
	6,418	4,102
Less: Accumulated depreciation and amortization	(2,707)	(2,255)
	$ 3,711	$ 1,847

3. Other Current Liabilities

Other current liabilities consist of the following:

	June 30, 1997	December 31, 1996
Accrued salaries and other related costs	$ 757	$ 944
Accrued payroll to third party	3,698	1,952
Accrued insurance	1,200	640
Deferred revenue	1,015	2,479
Amounts held on behalf of third parties	1,641	1,055
Accrued software costs	203	603
Accrued rebate	1,906	788
Other liabilities	1,448	1,301
	$11,868	$ 9,762

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

PIA Merchandising Services, Inc. (the Company or PIA) provides merchandising services to manufacturers and retailers principally in grocery, mass merchandiser and chain and deep discount drug stores. For the quarter and six months ended June 30, 1997, the Company generated approximately 81% and 85% of its net revenues from manufacturer clients and 19% and 15% from retailer clients, respectively. The mix of the Company's business between manufacturer and retailer clients historically has not had a material impact on the Company's results of operations.

During the first half of 1997, the Company's profitability continued to be affected by a shift in its business away from syndicated services toward projects and dedicated services. The Company's syndicated services business has historically required a significant fixed management and personnel infrastructure to manage and execute service contracts. Due in part to industry consolidation and increased competition, the Company lost a number of syndicated services clients during 1996, causing a decrease in the profitability of that business segment in the last two quarters of the year and the first half of 1997. PIA has not sold any sizable new syndicated business to offset for this loss. The Company did not act quickly enough to align its cost structure with the changing mix of business during the first half of 1997. The Company believes that revenues in 1997 from syndicated services will continue to decline as a result of the wind-down of the lost business. Because of the fixed nature of the associated costs, the loss of syndicated business has a material adverse effect on PIA's results of operations.

The Company continues to experience a significant increase in the demand for project services. PIA's project revenues have grown from $9.3 million in the second quarter of 1996 to $13.5 million in the second quarter of 1997, a 45% increase, and from $17.9 million in the first half of 1996 to $22.4 million in the first half of 1997, a 25% increase. This increase has required an investment in management infrastructure and systems to support this business.

The Company's dedicated services business is also increasing. During the second quarter of 1997, revenues from dedicated services accounted for approximately 21% of total revenues, as compared to 8% in the second quarter of 1996. For the first half of 1997, dedicated service revenue represented approximately 24% of total revenue, compared to 7% of total revenue in the first half of 1996. In the dedicated services business, PIA provides each manufacturer or retailer client with an organization, including a management team, that works exclusively for that client.

PIA's quarterly results of operations are subject to certain variability related to the timing of retailer-mandated activity and the receipt of commissions. Retailer-mandated activity is typically higher in the second and third quarters of the year due to retailer scheduling of activity in off-peak shopping periods. In addition, new product introductions increase during such periods which require the reset of categories as the new products gain distribution. The amount of commissions earned by PIA under its commission-based contracts varies seasonally, and

generally corresponds to the peak selling seasons of the clients that have entered into these types of contracts. Historically, the Company has recognized greater commission income in the first and fourth quarters. See "Risk Factors -- Uncertainty of Commission Income." The Company's quarterly results have in the past been subject to fluctuations and, thus, the operating results for any quarter are not necessarily indicative of results for any future period.

RESULTS OF OPERATIONS - SECOND QUARTER OF FISCAL 1997 COMPARED TO SECOND QUARTER OF FISCAL 1996:

The following table sets forth certain financial data as a percentage of net revenues for the periods indicated:

	Three Months Ended June 30, 1997	1996
Net revenues	100.0%	100.0%
Operating expenses:		
Field service costs	93.7	81.3
Selling expenses	7.9	11.1
General and administrative expenses	7.1	6.9
Depreciation and amortization	0.8	0.6
Total operating expenses	109.5	99.9
Operating income (loss)	(9.5)	0.1
Interest income net	0.7	1.1
Equity in earnings of affiliate	0.1	0.0
Income (loss) before provision for income taxes	(8.7)	1.2
Provision (benefit) for income taxes	2.6	(0.4)
Net income (loss)	(6.1%)	0.8%

Net revenue increased $4.8 million, or 18% to $31.6 million in the second quarter of 1997, from $26.9 in the second quarter of 1996. The net increase in revenue resulted from an increase in revenue from new clients of $7.4 million, increased revenue from existing clients of $4.9 million, offset by a decrease in revenue of $7.5 million from clients no longer with the Company.

For the second quarter of 1997, field service costs increased $7.8 million, or 36%, to $29.6 million, as compared to $21.8 million in the second quarter of 1996. Field service costs are comprised principally of field labor and related costs and expenses required to provide both routed and dedicated coverage, project activities and related technology costs. In addition, included are overhead costs incurred to support the activities of these groups of employees. The increase in field service costs is due primarily to costs required to provide the management and supervision to support the increased business level of dedicated and project services. As a percentage of net revenues, field service costs increased to 94% in 1997 from 81% in 1996 due to the negative leverage caused by the loss of syndicated services business and the impact of increased project and dedicated service business mentioned above.

Selling expenses decreased $0.5 million, or 16%, to $2.5 million in the second quarter of 1997, compared to $3.0 million in the same period last year. As a percentage of net revenues, selling expenses decreased to 8% in the second quarter of 1997, from 11% in the second quarter of 1996. This decrease in costs, both in absolute amount and as a percentage of revenue, is a result of lower staffing and travel costs.

General and administrative expenses increased $0.4 million, or 21%, to $2.2 million in the second quarter of 1997 from $1.9 million in the same period of 1996. The increase in general and administrative costs were due primarily to increased staffing in recruitment and training and management information systems that were required to support overall business growth, including the increased project and dedicated service levels. In addition, increased costs were experienced due to higher provisions for uncollectible accounts, termination costs, as well as salary increases in the ordinary course of business. As a percentage of net revenues, general and administrative expenses remained at 7% in the second quarter of 1997, consistent with the second quarter of 1996.

Depreciation and amortization expenses increased as a result of depreciation on computer hardware and software development costs for shelf technology and for general business purposes.

Interest income decreased in the second quarter of 1997, as compared to the second quarter of 1996, due to lower cash balances available for investment in 1997. The second quarter of 1996 included interest income on the net proceeds from the Company's initial public offering on March 1, 1996.

Equity in earnings of affiliate represents the Company's share of the earnings of Ameritel, Inc., a full service telemarketing company. During 1996, the Company exercised its option to increase its ownership of Ameritel to 20%, and is now required to recognize its equity interest in Ameritel's earnings.

Income tax benefit was approximately $0.8 million in the second quarter of 1997 compared to income tax expense of $0.1 million in the second quarter of 1996, representing an effective rate of 29% and 36%, respectively. The effective rate for the second quarter of 1997 includes a year to date adjustment in the rate to achieve a six month rate of 34%.

The Company incurred a net loss of approximately $1.9 million in the second quarter of 1997, compared to net income of approximately $0.2 million in the second quarter of 1996, primarily as a result of operating expenses increasing at a faster rate than revenues, as discussed above.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996:

The following table sets forth certain financial data as a percentage of net revenues for the periods indicated:

	Six Months Ended June 30, 1997	1996
Net revenues	100.0%	100.0%
Operating expenses:		
Field service costs	91.7	79.2
Selling expenses	8.3	10.6
General and administrative expenses	7.7	6.8
Depreciation and amortization	0.8	0.6
Total operating expenses	108.5	97.2
Operating income (loss)	(8.5)	2.8
Interest income net	0.7	0.6
Equity in earnings of affiliate	0.1	0.0
Income (loss) before provision for income taxes	(7.7)	3.4
Provision Benefit for income taxes	2.6	(1.3)
Net income (loss)	(5.1%)	2.1%

Net revenue increased $7.9 million, or 15% to $61.0 million in the first six months of 1997, from $53.1 in the corresponding period of 1996. The net increase in revenue resulted from an increase in revenue from new clients of $10.2 million, an increase in revenue from existing clients of $11.5 million, offset by a decrease in revenue of $13.8 million from clients no longer with the Company.

For the first six months of 1997, field service costs increased $13.9 million, or 33%, to $56.0 million, as compared to $42.1 million in the first six months of 1996. The increase in field service costs is primarily due to costs required to execute the increased business level of dedicated and project services. As a percentage of net revenues, field service costs increased to 92% for the first six months of 1997 from 79% in the same period of 1996 due to the negative leverage caused by the loss of syndicated services business and the impact of increased project and dedicated service business.

Selling expenses decreased $0.6 million, or 10%, to $5.1 million in the first six months of 1997, compared to $5.6 million in the same period last year. As a percentage of net revenues, selling expenses decreased to 8% in the first six months of 1997, from 11% in the first six months of 1996. This decrease in costs, both in absolute amount and as a percentage of revenue, is a result of lower staffing and travel costs.

General and administrative expenses increased $1.1 million, or 30%, to $4.7 million in the first six months of 1997 from $3.6 million in the same period of 1996. The increase in general and administrative costs were primarily due to increased staffing in recruitment and training and management information systems that were required to support overall business growth, including the increased project and dedicated service levels. In addition, increased costs were experienced due to higher provisions for uncollectible accounts, workers compensation insurance reserves, termination costs, as well as salary increases in the ordinary course of business. As a percentage of net revenues, general and administrative expenses were 8% in the first six months of 1997, compared to 7% in the first six months of 1996.

Depreciation and amortization expenses increased as a result of depreciation on computer hardware and software development costs for shelf technology and for general business purposes.

Interest income increased for the first six months of 1997, as compared to the first six months of 1996, due to investment of the net proceeds from the Company's initial public offering on March 1, 1996.

Equity in earnings of affiliate represents the Company's share of the earnings of Ameritel, Inc. During 1996, the Company exercised its option to increase its ownership of Ameritel to 20%, and is now required to recognize its equity interest in Ameritel's earnings.

Income tax benefit was $1.6 million for the first six months of 1997, compared to income tax expense of $0.7 million for the same period of 1996, representing an effective tax rate of 34% and 39%, respectively.

The Company incurred a net loss of approximately $3.1 million in the first half of 1997, compared to net income of approximately $1.1 million in the first half of 1996, primarily as a result of operating expenses increasing at a faster rate than revenues, as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

On March 1, 1996, the Company completed an initial public offering of its Common Stock, raising $26.6 million. Prior to this offering, the Company's primary sources of financing were senior borrowings from a bank under a revolving line of credit and subordinated borrowings from two stockholders. During the first half of 1997, the Company had a net decrease in cash balances of $1.8 million, resulting from the operating losses and the Common Stock repurchase program, offset partially by a reduction in accounts receivable of $4.4 million.

In January 1997, the Company entered into a new credit agreement with a bank, which provides for an unsecured line of credit in the maximum amount of $7.0 million. Borrowings under the line of credit bear interest at the bank's reference rate, unless the Company elects the specified offshore rate. The credit agreement contains various covenants which, among other things, require compliance with certain financial tests such as working capital, tangible net worth, leverage and profitability. In addition, the credit agreement imposes certain restrictions on the Company, including the incurrence of additional indebtedness, the payment of dividends and the ability to make acquisitions. No borrowings are currently outstanding under this facility.

In March 1997, the Company's Board of Directors approved a stock repurchase program under which the Company was authorized to repurchase up to 1,000,000 shares of Common Stock from time to time in the open market, depending on market conditions. This program was funded by working capital. As of July 14, 1997, the Company repurchased an aggregate of 507,000 shares of Common Stock for an aggregate price of approximately $3.0 million. No further repurchases are currently planned.

Cash and cash equivalents totaled $17.8 million at June 30, 1997, compared with $19.5 million at December 31, 1996. At June 30, 1997 and December 31, 1996, the Company had working capital of $26.2 million and $32.7 million, and current ratios of 3.1 and 4.1 respectively.

Net cash provided by operating activities for the six months ended June 30, 1997 was $1.4 million compared to cash used by operating activities of $2.5 million for the comparable period in 1996. This increase in cash from operating activities for 1997 resulted primarily from a decrease in accounts receivable of $4.5 million, offset partially by net operating losses. Net cash used by investing activities for the six months ended June 30, 1997 was $0.3 million compared to net cash used by investing activities of $0.4 million for the comparable period in 1996. Net cash used in financing activities for the six months ended June 30, 1997 was $2.9 million compared to cash generated of $23.2 million for the same period in 1996. In 1997, the Company repurchased 502,000 shares of its Common Stock for approximately $2.9 million. In 1996, the Company received net proceeds from the issuance of Common Stock of $26.6 million and repaid long-term debt of $3.4 million.

The above activity resulted in a decrease in cash and cash equivalents of $1.8 million for the six months ended June 30, 1997.

The Company is currently experiencing operating losses resulting from a change in its business mix and rising field costs and has announced a plan to restructure its corporate and field operations during the third quarter of 1997. While management is not currently able to estimate the amount of the restructure charge, or its effect on operational cash flow, it is expected that these charges will be reflected in the third quarter results.

The Company's current liquidity is provided by cash and cash equivalents and the timely collection of its receivables. Management believes that this liquidity is sufficient to provide for on-going working capital needs and generally fund the on-going operations of the business.

RISK FACTORS

It is recommended that this Form 10-Q be read in conjunction with the Company's 1996 Annual Report on Form 10-K. The following risk factors should be carefully reviewed in addition to the other information contained in this Quarterly Report on Form 10-Q.

HISTORY OF LOSSES

During the years ended December 31, 1992 and 1993, the Company incurred significant losses and experienced substantial negative cash flow. The Company had net losses of $3.2 million and $2.6 million for the years ended December 31, 1992 and 1993, respectively. These losses resulted primarily from additional field service costs to provide syndicated coverage in grocery stores for relatively few clients in newly-opened regions during the Company's continuing national expansion in 1992 and 1993, and from the write-off of $1.7 million in goodwill in 1992. In addition, the Company incurred a net loss of $3.1 million for the first six months of 1997, and expects its 1997 operating results to be substantially less than the prior year. There can be no assurance that the Company will not sustain further losses.

LOSS OF SYNDICATED BUSINESS

PIA's business mix has changed significantly over 1996 and the first half of 1997, and is expected to continue to change during the balance of 1997. Due in part to industry consolidation and increased competition, the Company has lost a substantial amount of syndicated services business over the last 18 months, and has not sold enough new syndicated business to compensate for this loss. This business has historically required a significant fixed management and personnel infrastructure. Accordingly, the loss of syndicated business, without offsetting gains, has a material adverse effect on the Company's results of operations.

INDUSTRY CONSOLIDATION; CONCENTRATED CLIENT BASE

The retail and manufacturing industries are undergoing a consolidation process that is resulting in fewer larger retailers and suppliers. The Company's success is dependent in part upon its ability to maintain its existing clients and to obtain new clients. As a result of industry consolidation, the Company has lost certain clients, and this trend could continue to have a negative effect on the Company's client base and results of operations. The Company's ten largest clients generated approximately 68% and 69%, and 55% and 59%, of the Company's net revenues for the quarter and six month periods ended June 30, 1997 and 1996, respectively. During the second quarter, none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues, other than Buena Vista Home Video, S.C. Johnson and Eckerd Drug Company, which accounted for 19%, 12% and 11% of net revenues, respectively, for the quarter ended June 30, 1997. For the six months ended June 30, 1997, only Buena Vista Home Video and S. C. Johnson accounted for greater than 10% of net revenues, with 23% and 11% respectively. The Company's contracts with its clients have terms ranging from one to five years. PIA believes that the uncollectibility of amounts due from any of its large clients, would have a material adverse effect on the Company's results of operations.

UNCERTAINTY OF COMMISSION INCOME

Approximately 15% and 15% of the Company's net revenues for the quarter and six months ended June 30, 1997, respectively, was earned under commission-based contracts. These contracts provide for commissions based on a percentage of the client's net sales of certain of its products to designated retailers. Commissions paid to PIA under these contracts have had a significant effect on the Company's profitability in certain quarters. Under these contracts, the Company generally receives a draw on a monthly or quarterly basis, which is then applied against commissions earned. Adjustments are made on a monthly or quarterly basis upon receipt of reconciliations between commissions earned from the client and the draws previously received. The reconciliations typically result in commissions owed to the Company in excess of previous draws; however, the Company cannot predict with accuracy the level of its clients' commission-based sales. Accordingly, the amount of commissions in excess of or less than the draws previously received will fluctuate and can significantly affect the Company's operating results in any quarter.

In addition, the amount of commissions earned by the Company under these contracts varies seasonally, and generally corresponds to the peak selling seasons of the clients who have entered into these types of contracts. Historically, the Company has recognized greater commission income in its first and fourth quarters due to the timing of such clients' sales.

PART II: OTHER INFORMATION

Item 1: Legal Proceedings

None

Item 2: Changes in Securities
None

Item 3: Defaults Upon Senior Securities
None

Item 4: Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on June 6, 1997. The stockholders elected a Board of six directors, approved amendments to the Company's 1995 Stock Option Plan, approved the adoption of the Employee Stock Purchase Plan and ratified the appointment of Deloitte & Touche LLP as the Company's independent auditors.

Results of the voting in connection with each of the matters submitted to the stockholders were as follows:

Board of Directors	For	Withheld
Clinton E. Owens	3,151,645	767,983
Joseph H. Coulombe	3,151,645	767,983
John A. Colwell	3,151,645	767,983
Edwin E. Epstein	3,151,645	767,983
Patrick C. Haden	3,151,645	767,983
J. Christopher Lewis	3,151,645	767,983

	For	Against	Abstain
Amend Company's 1995 Stock Option Plan	3,857,815	29,283	32,530
Adopt Company's Employee Stock Purchase Plan	3,866,065	21,633	31,930
Ratification of the appointment of Deloitte & Touche LLP as independent auditors	3,913,142	2,570	3,916

Item 5: Other Information
None

Item 6. Exhibits and Reports on Form 8-K
(a) EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, No. 33-80429).
3.2	By-laws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, No. 33-80429).
4.1	Registration Rights Agreement entered into as of January 21, 1992 by and between RVM Holding Corporation, RVM/PIA, a California limited partnership, The Riordan Foundation and Creditanstalt-Bankverein (incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, No. 33-80429).
10.1	1990 Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, No. 33-80429).
10.2	1995 Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1, No. 33-80429).

10.3 1995 Stock Option Plan for Nonemployee Directors (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, No. 33-80429).

10.4 Business Loan Agreement dated as of January 1, 1997 between the Company and Bank of America National Trust and Savings Association (incorporated herein by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996).

10.5 Employment Agreement dated as of June 25, 1997 between the Company and Terry R. Peets.

27.1 Financial Data Schedule.

(b) REPORTS ON FORM 8-K.
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIA MERCHANDISING SERVICES, INC.
(Registrant)

By: /s/ Cathy L. Wood

Cathy L. Wood
Executive Vice President
Chief Financial Officer

By: /s/ Stephen R. Christie

Stephen R. Christie
Vice President
Corporate Controller

Dated: August 14, 1997

EXHIBIT 10.5

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made effective as of June 25, 1997 between PIA Merchandising Services, Inc., a Delaware corporation (the "Corporation"), and Terry R. Peets (the "Executive").

R E C I T A L

WHEREAS, the Corporation desires to employ the Executive as its Chief Executive Officer reporting to the Corporation's Board of Directors, and the Executive desires to accept such employment; and

WHEREAS, the Corporation desires to name the Executive as a member of the Corporation's Board of Directors, and the Executive desires to accept such position; and

WHEREAS, the Corporation and the Executive desire to fix the terms of the Executive's employment with the Corporation, and have agreed upon the terms and conditions set forth below.

A G R E E M E N T

NOW, THEREFORE, the parties hereby agree as follows:

1. EMPLOYMENT DUTIES. The Corporation hereby hires the Executive, and the Executive hereby accepts employment with the Corporation, on the terms set forth below. The Executive shall serve as Chief Executive Officer and shall report to the Board of Directors. The Executive shall perform all the duties that are usual and customary for the office to which the Executive is appointed, subject always to the policies set by the Board of Directors or Bylaws of the Corporation. The Executive shall perform said duties primarily at the Irvine, California location of the Corporation and its environs. No transfer or change in location shall be made without Executive's prior consent. The parties hereby acknowledge that the Executive will be required to travel in connection with the performance of his duties hereunder.

2. TERM. The Executive shall be employed at-will by the Corporation beginning as of June 25, 1997, subject to Executive's current consulting assignment, and ending on the date of notice of termination as provided for in Paragraph 8 herein (the "Employment Term").

3. COMMITMENT OF EXECUTIVE. The Executive shall work for the Corporation on a full-time basis and shall devote substantially all of his business time, attention, knowledge and skill to the performance of his duties herein throughout the Employment Term and shall at all times discharge said duties faithfully and to the best of his ability, experience and talents. Notwithstanding the foregoing, the Corporation acknowledges and agrees that Executive may continue to serve as a director of other companies so long as such board memberships do not conflict with or adversely affect his performance at the Corporation. At all times during the Employment Term, the Executive shall use his best efforts to observe and conform to all the laws and regulations applicable to the Corporation.

4. COMPENSATION AND EXPENSES.

(a) FIXED SALARY. From June 25, 1997 through August 10, 1997, the Executive shall receive a fixed salary of $1,200 per day. The Executive shall receive a fixed salary during the Employment Term at the rate of $20,834 per month for the remainder of the first 12 months, payable in accordance with the Corporation's payroll practices for other executive officers of the Corporation, as such practices may change time to time. Such fixed salary shall be adjusted on each anniversary date of this Agreement in accordance with the percentage change in the Los Angeles-Long Beach-Anaheim Consumer Price Index for the month of July compared to the index for the preceding July, in addition to such other upward adjustments, if any, as may be approved by the Board of Directors from time to time. Executive acknowledges that the Corporation will deduct and withhold from the fixed salary payable to Executive hereunder the amount required to be deducted and withheld under the provisions of all applicable statutes, regulations, ordinances or orders.

(b) BONUS. The Executive shall receive a bonus, payable annually within 15 days after receipt by the Board of Directors of the Corporation's audited (or if no audit is prepared, unaudited) financial statements for the applicable period, equal to 4.0% of the Corporation's annual operating income, which is defined as earnings before interest, taxes and amortization ("EBITA"), up to a maximum of 100% of the Executive's annual fixed salary set forth in Paragraph 4(a) (the "Bonus"). The EBITA will exclude the operating earnings which are acquired as a result of the Corporation entering into an acquisition or merger ("Acquired EBITA"). The Bonus shall be payable with respect to each partial or complete fiscal year during the Employment Term based on the Corporation's profits during such period, commencing with the period from July 1, 1997 through December 31, 1997.

(c) STOCK OPTION GRANT. On the date hereof, the Corporation will grant to the Executive a stock option (the "Option") covering 250,000 shares of the Corporation's common stock, $.01 par value (the "Common Stock"), pursuant to the Corporation's 1995 Stock Option Plan. The Option will vest at the rate of 25% per year on each of the first four anniversaries of the date hereof. The exercise price of the Option will be the closing price of the Common Stock on the Nasdaq National Market on the date hereof.

(d) EXPENSES. During the Employment Term, the Executive will be reimbursed for his reasonable and necessary expenses incurred for the benefit of the Corporation, but only in accordance with the general policy of the Corporation as adopted by the Corporation from time to time. With respect to any expenses which are reimbursed by the Corporation to the Executive, the Executive agrees to account to the Corporation in sufficient detail and with sufficient documentary and other evidence to allow the Corporation to support a claim for an income tax deduction for such paid item if such item is deductible.

(e) CAR ALLOWANCE. The Corporation requires the Executive to travel in and about the Los Angeles metropolitan area and to utilize his own vehicle for such purpose. Accordingly, during the Employment Term, the Executive will receive an allowance for automobile expenses at a fixed rate of $750.00 per month, payable on a monthly basis in arrears.

5. BENEFIT PLANS. The Executive shall be entitled to participate in group plans or programs maintained by the Corporation, if any, relating to retirement, health, dental, vision, disability, life insurance and other related benefits as in effect from time to time generally for the other executive officers of the Corporation. In addition to the benefit provided to other senior executives, Executive shall receive the benefits specified in Exhibit A.

6. VACATION AND SICK LEAVE. On an annual basis, the Executive shall be entitled to as many paid vacation days and as much sick leave as the Executive, in his best judgment, deems appropriate and reasonable. The Executive shall schedule and take such vacation days so as not to materially disrupt or impair the operations of the Corporation.

7. COVENANT NOT TO COMPETE.

(a) GENERALLY. The Executive acknowledges and agrees that because of the special, unique, unusual and extraordinary nature of the services the Executive is providing, it would substantially adversely affect the business of the Corporation were the Executive to provide the same substantially similar services to any third party. Therefore, during the Employment Term, the Executive agrees to be bound by the covenant not to compete set forth herein. The Executive shall not, without the prior written consent of the Corporation, at any time during the Employment Term in any state of the United States of America, or in any other country or territory throughout the world, engage or participate, directly or indirectly, in any business that is in competition in any manner with that of the Corporation, whether as employee, agent, employer, principal, partner, holder of equity securities (other than as a holder of less than one percent of the outstanding equity securities of any publicly traded company), creditor, corporate officer, corporate director or in any other individual or representative capacity whatsoever.

(b) SEVERABLE COVENANTS. It is intended that the preceding covenant shall be construed as a series of separate covenants, one for each county of each state of the United States of America. If, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants included herein, then such unenforceable covenant shall be deemed eliminated from these provisions for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants to be enforced.

8. TERMINATION OF EMPLOYMENT.

(a) FOR CAUSE. The Corporation may terminate the employment of the Executive for cause at any time. Termination for cause shall be effective from the date of notice thereof to the Executive. Cause, as used herein, shall be any one or more of the following acts of the Executive but no other act or omission: (i) conviction for fraud, embezzlement, or any felonious offense; and (ii) a material violation of any of the provisions of this Agreement (including without limitation violations of Section 1 by failure to follow written policies set by the Board of Directors, violations of Section 3 by material neglect of duties and violations of Section 7) which continues after written notice and reasonable opportunity (not to exceed 15 days) in which to cure. If the alleged breach or default is of a type which cannot be cured within 15 days and the Executive makes reasonable efforts to cure such alleged breach within such 15-day period, then the time shall be extended as necessary to complete such cure. Upon termination in accordance with this Paragraph 8(a), the Executive shall be entitled to no further compensation hereunder other than the fixed salary accrued until the date written notice is delivered to the Executive and any Bonus accrued until the date written notice is delivered to the Executive (such accrued Bonus, if any, shall be determined in accordance with the terms of Paragraph 4(b) except that such determination shall be based on the unaudited EBITA less Acquired EBITA of the Corporation reported from the beginning of the fiscal year in which such termination occurs through the date written notice is delivered to the Executive). The Corporation's exercise of its right to terminate with cause shall be without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

(b) FOR DEATH OR INCAPACITY. This Agreement shall automatically terminate upon the death of the Executive. In addition, if any disability or incapacity of the Executive to perform his duties as the result of any injury, sickness or physical, mental or emotional condition continues for a period of 180 days out of any 360 calendar day period, the Corporation may terminate the Executive's employment upon 10 days written notice. Upon termination in accordance with this Paragraph 8(b), the Executive (or the Executive's estate, as the case may be) shall be entitled to no further compensation hereunder other than the fixed salary accrued until the date of death or, in the case of disability, the date written notice is delivered to the Executive and any Bonus accrued until such date (such accrued Bonus, if any, shall be determined in accordance with the terms of Paragraph 4(b) except that such determination shall be based on the unaudited EBITA less Acquired EBITA of the Corporation reported from the beginning of the fiscal year in which such termination occurs through such date).

(c) WITHOUT CAUSE. The Corporation may terminate the employment of the Executive without cause any time by serving prior written notice to the Executive. Upon termination in accordance with this Paragraph 8(c), the Executive shall be entitled to no further compensation hereunder other than (i) the fixed salary accrued hereunder until the effective date of termination specified in the notice to the Executive (the "Termination Date"), (ii) any Bonus accrued until the Termination Date (such accrued Bonus, if any, shall be determined in accordance with the terms of Paragraph 4(b) except that such determination shall be based on the unaudited EBITA less Acquired EBITA of the Corporation reported from the beginning of the fiscal year in which such termination occurs through the Termination Date), (iii) the fixed salary at the rate paid as of the Termination Date during the twelve (12) month period beginning on the Termination Date, such fixed salary to be paid in equal monthly installments in advance during such twelve month period, and (iv) the benefits to which the Executive was entitled pursuant to Paragraph 5 and Exhibit A during the twelve (12) month period beginning on the Termination Date.

(d) VOLUNTARY TERMINATION OR RESIGNATION. The Executive may terminate or resign his employment at any time by serving no less than 30 business days' prior written notice to the Corporation. Upon termination or resignation in accordance with this Paragraph 8(d), the Executive shall be entitled to no further compensation hereunder other than the fixed salary accrued through the date of termination specified in the notice from the Executive and any Bonus accrued until such date (such accrued Bonus, if any, shall be determined in accordance with the terms of Paragraph 4(b) except that such determination shall be based on the unaudited EBITA less Acquired EBITA of the Corporation reported from the beginning of the fiscal year in which such termination occurs through such date).

(e) TERMINATION FOR GOOD REASON. The Executive may terminate or resign his employment at any time for "good reason" (as defined below) by serving no less than 30 business days' prior written notice to the Corporation. The Executive shall have the right to terminate or resign his employment for "good reason" if the Corporation (or any successor thereto pursuant to Paragraph 9(b) hereof) breaches an obligation set forth in Paragraph 1, 4, 5 or 6 hereof. Upon termination in accordance with this Paragraph 8(e), a termination "without cause" will be deemed to have occurred and the Executive shall be entitled to the compensation set forth in Paragraph 8(c).

9. MISCELLANEOUS.

(a) AUTHORITY. Executive represents and warrants to the Corporation that Executive is free to enter into this Agreement and has full right, power and authority to enter into this Agreement. Executive represents and warrants that the execution of this Agreement and the performance of the terms and conditions hereof, will not violate any contract, agreement, document, or understanding to which Executive is a party or by which Executive may be bound

and that the execution of this Agreement and the performance of the terms and conditions hereof will not subject the Corporation to any claims, liabilities or litigation. Except as set forth on Schedule 1 and the board memberships referenced in Paragraph 1, the Executive further represents that the Executive is not a party to or otherwise bound by any agreement or arrangement, or subject to any judgment, decree or order of any court or administrative agency, (i) that would conflict with the Executive's obligation to diligently promote and further the interest of the Corporation, or (ii) that would conflict with the Corporation's business as now conducted. The Corporation represents and warrants to the Executive that it has full right, power and authority to enter into this Agreement.

(b) ASSIGNMENT. It is understood and the parties hereby agree that the services to be performed by the Executive hereunder are personal, special, unique, unusual and extraordinary in nature, and the obligations to perform such services and the conditions and covenants of this Agreement cannot be assigned by the Executive and any such attempted assignment is void. This Agreement, however, shall be assignable by the Corporation to any corporation or other business entity which succeeds to all or substantially all of the business of the Corporation through merger, consolidation, corporation reorganization or by acquisition of all or substantially all of the assets of Corporation and which assumes Corporation's obligations under this Agreement and binding on the Corporation and its successors and assigns.

(c) ATTORNEYS' FEES, COSTS. If any party shall bring an action against the other party hereto by reason of the breach of any covenant, warranty, representation or condition herein, or otherwise arising out of this Agreement, whether for declaratory or other relief, the prevailing party in such suit shall be entitled to such party's costs of suit and attorneys' fees, which shall be payable whether or not such action is prosecuted to judgment.

(d) ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties hereto and supersedes and replaces all prior agreements and understandings, whether oral or written, between the parties with respect to the subject matter herein.

(e) SEVERABILITY. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision, provided that no such severability shall be effective if it materially changes the economic benefit of the Agreement to any party.

(f) HEADINGS. The headings of paragraphs and subparagraphs herein are used for convenience only and shall not affect the meaning or contents hereof.

(g) NOTICE. Any notice, payment, report or any other communication required or permitted to be given by one party to the other party by this Agreement shall be in writing and either (i) served personally on the other party, (ii) sent by express, registered or certified first-class mail, postage pre-paid, addressed to the other party at his address as indicated next to his signature below, or to such other address as the addressee shall have theretofore furnished to the other party by like notice or (iii) delivered by commercial courier to the other party. Notice shall be deemed given upon the earlier of actual receipt or the third day after mailing if mailed pursuant to clause (ii) above.

(h) APPLICABLE LAW. This Agreement shall be construed and interpreted in accordance with the laws of the State of California, as such laws are interpreted, construed and applied with respect to disputes arising in such state between residents thereof domiciled in such state.

IN WITNESS WHEREOF, this Agreement has been executed by each of the parties effective as of the day and year first above written.

CORPORATION:

PIA MERCHANDISING SERVICES, INC.

By: /s/ Clinton E. Owens

Clinton E. Owens
Chairman of the Board

EXECUTIVE:

/s/ Terry R. Peets

Terry R. Peets

Address:
327 Coral Avenue
Balboa Island, California 92662

EXHIBIT A
TO EMPLOYMENT AGREEMENT

BENEFIT PLANS

1. EXEC-U-CARE SUPPLEMENTAL MEDICAL. Exec-U-Care provides covered executives with health and dental insurance over and above that offered to the Corporation's employees. The standard health and dental plan requires employees to pay between $50 and $105 per month for health plan coverage for the employee and his family, and between $15 and $35 per month for dental coverage.

2. TERM LIFE AND DISABILITY INSURANCE. The Corporation shall provide a term life insurance policy and a disability insurance policy with policy limits consistent with the Corporation's Chairman of the Board.

SCHEDULE 1
TO EMPLOYMENT AGREEMENT

RESTRICTIONS ON EMPLOYMENT ACTIVITIES

1. For the five week period from Sunday, June 29, 1997, through Saturday, August 2, 1997, Executive will be unavailable to PIA on Monday, Tuesday and Wednesday of each week, due to a prior consulting commitment with Randalls Food Markets, Inc., Houston, Texas.

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1997
<PERIOD-START>		APR-01-1997
<PERIOD-END>		JUN-30-1997
<CASH>		17,706
<SECURITIES>		0
<RECEIVABLES>		18,743
<ALLOWANCES>		909
<INVENTORY>		0
<CURRENT-ASSETS>		38,608
<PP&E>		6,418
<DEPRECIATION>		2,707
<TOTAL-ASSETS>		43,401
<CURRENT-LIABILITIES>		12,399
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		59
<OTHER-SE>		30,634
<TOTAL-LIABILITY-AND-EQUITY>		43,401
<SALES>		0
<TOTAL-REVENUES>		31,643
<CGS>		0
<TOTAL-COSTS>		29,638
<OTHER-EXPENSES>		5,005
<LOSS-PROVISION>		105
<INTEREST-EXPENSE>		(219)
<INCOME-PRETAX>		(2,754)
<INCOME-TAX>		(812)
<INCOME-CONTINUING>		(1,942)
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(1,942)
<EPS-PRIMARY>		(0.35)
<EPS-DILUTED>		(0.35)