SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1997.

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ________ to ________.

Commission file number 0-27824

PIA MERCHANDISING SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0684451
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

19900 MacArthur Blvd., Suite 900, Irvine, CA 92612
(Address of principal executive offices)

(714) 476-2200
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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 [ ] No

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of stock, as of the latest practicable date.

Common Stock, $.01 Par Value: 5,899,558 shares as of April 30, 1997.

PIA Merchandising Services, Inc.

PART I: FINANCIAL INFORMATION PAGE

PART I: FINANCIAL INFORMATION

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

	March 31, 1997 (Unaudited)	December 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$21,791	$ 19,519
Accounts receivable, net of allowance for doubtful accounts	18,914	22,630
Prepaid expenses and other current assets	1,416	564
Deferred income taxes	669	669
Total current assets	42,790	43,382
PROPERTY AND EQUIPMENT, net	1,783	1,847
OTHER ASSETS	2,688	2,443
	$47,261	$47,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 823	$ 772
Other current liabilities	10,517	9,762
Income taxes payable	0	111
Total current liabilities	11,340	10,645
DEFERRED INCOME TAXES	309	309
STOCKHOLDERS' EQUITY	35,612	36,718
	$47,261	$47,672

See accompanying notes.

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended March 31, 1997	1996
NET REVENUES	$29,356	$26,259
OPERATING EXPENSES:		
Field service costs	26,369	20,264
Selling expenses	2,554	2,655
General and administrative expenses	2,449	1,740
Depreciation and amortization	197	147
Total operating expenses	31,569	24,806
OPERATING INCOME (LOSS)	(2,213)	1,453
OTHER INCOME:		
INTEREST INCOME, NET	231	43
EQUITY IN EARNINGS OF AFFILIATE	24	0
TOTAL OTHER INCOME	255	43
INCOME BEFORE PROVISION FOR INCOME TAXES	(1,958)	1,496
(PROVISION) BENEFIT FOR INCOME TAXES	790	(599)
NET INCOME (LOSS)	$ (1,168)	$ 897
NET INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE	$ (0.19)	$ 0.18
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES	6,109	4,932

See accompanying notes.

PIA MERCHANDISING SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	For the Three Months Ended March 31, 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (Loss)	(1,168)	$ 897
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	197	147
Provision for doubtful receivables	330	76
Changes in operating assets and liabilities	2,941	(1,161)

Net cash (used in) provided by operating activities	2,300	(41)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(91)	(63)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long term debt	0	(3,400)
Proceeds from issuance of common stock, net	63	26,753
Net cash provided by financing activities	63	23,353
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,272	23,249
CASH AND CASH EQUIVALENTS, beginning of period	19,519	185
CASH AND CASH EQUIVALENTS, end of period	$ 21,791	$ 23,434
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 0	$ 69
Cash paid for income taxes	$ 86	$ 320

See accompanying notes.

PIA Merchandising Services, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

The Three Months Ended March 31, 1997

1. Basis of Presentation

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 period ended March 31, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

2. The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share," which is effective for financial statements for both interim and annual periods ending after December 15, 1997. Early adoption of the statement is not permitted. The company has applied this statement to the 1996 first quarter and annual results and to the 1997 first quarter results and determined that the adoption of this statement would not have had a material impact on the earnings per share calculations for these periods.

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 quarters ended March 31, 1997 and 1996, the Company generated approximately 90.0% and 87.0% of its net revenues from manufacturer clients, and 10.0% and 13.0% 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 cash flows or results of operations.

The Company currently provides three principal types of services: syndicated services, project services and dedicated services. Syndicated services consist of regularly scheduled, routed merchandising services provided at the store level for manufacturers, primarily under one year contracts. Project services consist primarily of special in-store services initiated by retailers and manufacturers, which are typically used for large scale implementations over 30 to 60 days. Dedicated services consist of merchandising services that are performed for a specific retailer or manufacturer by a dedicated organization, primarily under multi-year contracts.

During 1996 and the first quarter of 1997, the Company's profitability was affected by a shift in its business from syndicated services to projects and dedicated services. The Company's syndicated services business has historically required a significant fixed management and personnel infrastructure. Due in part to industry consolidation and increased competition, the Company lost a number of syndicated services clients during 1996 and the first quarter of 1997, causing a decrease in the profitability of that business in the last two quarters of 1996 and the first quarter of 1997. PIA has not sold any sizable new syndicated business to compensate for this loss. The Company believes that revenues in the balance of 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 $7.9 in the first quarter of 1996 to $9.0 in the first quarter of 1997. This increase has required an investment in management infrastructure and systems to support this business.

The Company's dedicated services business is also growing rapidly. During the first quarter of 1997, revenues from dedicated services accounted for 26.8% of total revenues, as compared to 7.1% in the first quarter 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 - First Quarter of 1997 Compared to First Quarter of

1996:

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

	Three Months Ended March 31, 1997	1996
Net revenues	100%	100%
Operating expenses:		
Field service costs	89.8	77.2
Selling expenses	8.7	10.1
General and administrative expenses	8.3	6.6
Depreciation and amortization	0.7	0.6
Total operating expenses	107.5	94.5
Operating income (loss)	(7.5)	5.5
Interest income, net	0.8	0.2
Equity in earnings of affiliate	0.1	0.0
Income (loss) before provision for income taxes	(6.6)	5.7
(Provision) benefit for income taxes	2.7	(2.3)
Net income (loss)	(3.9)%	3.4%

Net revenues increased $3.1 million, or 11.8%, to $29.4 million in the first quarter of 1997 from $26.3 in the first quarter 1996. The increase in net revenues was the result of revenues from new clients of $9.1 million, offset by a net decrease from other clients of $6.0 million. This net decrease is comprised of a net decrease in revenues of $.4 million from existing clients, and a decline in revenues of $5.6 million due to client losses.

The net revenue increase in the first quarter of 1997 was a result of an increase in project business of $1.1 million, representing a 14.4% increase in project revenues over the first quarter of 1996, and from an increase in dedicated services of $6.0 million, representing a 421.0% increase in dedicated service revenue over the first quarter of 1996. These increases were offset by a decrease of $4.0 million, or 24.1%, in revenues from syndicated services over the first quarter of 1996.

Field service costs increased $6.1 million, or 30.1%, to $26.4 million in the first quarter of 1997, as compared to $20.3 million in the first 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, key account management and related technology costs, as well as the field overhead required to support the activities of these groups of employees. The increase in field service costs is primarily due to increases in revenues from dedicated and project services. As a percentage of net revenues, field service costs increased to 89.8% in the first quarter of 1997 from 77.2% in the first quarter of 1996 primarily due to the negative leverage caused by the loss of syndicated services business; salary increases in the ordinary course of business; and increased travel costs associated with the larger work force.

Selling expenses decreased $0.1 million, or 3.8%, to $2.6 million in the first quarter of 1997 from $2.7 million in the first quarter of 1996. Selling expenses decreased primarily as a result of lower staffing and travel costs. As a percentage of net revenues, selling expenses decreased to 8.7% in the first quarter of 1997 from 10.1% in the first quarter of 1996.

General and administrative expenses increased $0.7 million, or 40.7%, to $2.4 million in the first quarter of 1997 from $1.7 million in the first quarter of 1996. General and administrative expenses increased primarily as a result of higher payroll costs due to increased staffing in recruitment and training and management information services that were required to support overall business growth, increased provision 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 amounted to 8.3% in the first quarter 1997 compared to 6.6% in the first quarter of 1996.

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

Interest income increased as a result of the investment of 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 approximately $0.8 million in the first quarter of 1997, compared to income tax expense of $0.6 million in the first quarter of 1996, representing an effective rate of 40.3% and 40.0%, respectively.

The Company incurred a net loss of approximately $1.2 million in the first quarter of 1997, compared to net income of approximately $0.9 million in the first quarter of 1996, primarily as a result of operating expenses increasing at a faster rate than revenues, as discussed above.

Liquidity and Capital Resources

The Company's primary capital need has been to fund the working capital requirements created by its growth in net revenues. On March 1, 1996, the Company completed an initial public offering of its Common Stock, raising $26.5 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 quarter of 1997, the Company had a net increase in cash flow of $2.3 million principally due to a reduction in accounts receivable.

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 $7,000,000. 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 is 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 is funded by working capital. As of May 1, 1997, the Company repurchased an aggregate of 367,000 shares of Common Stock for an aggregate price of $2,149,117.

The Company believes that it's working capital and available line of credit are sufficient to fund its operations for the next 12 months.

RISK FACTORS

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 routed 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 $1.2 million for the first quarter 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 quarter of 1997, and is expected to continue to change during the balance of 1997 in response to client needs and the evolving third party merchandising industry. Due in part to industry consolidation and increased competition, the Company has lost a substantial amount of syndicated services business over the last 15 months, and has not sold any sizeable 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 industry is undergoing a consolidation process that is resulting in fewer, larger retailers. 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 74.0% and 58.4% of the Company's net revenues for the quarters ended March 31, 1996 and 1997, respectively. During these periods, none of the Company's manufacturer or retailer clients accounted for greater than 10% of net revenues, other than Buena Vista Home Video and S.C. Johnson which accounted for 25.6% and 10.7% of net revenues, respectively, for the quarter ended March 31, 1997, and S.C. Johnson which accounted for 13.2% of net revenues for the quarter ended March 31, 1996. 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, the loss of one or more of such clients, a significant reduction in business from such clients, or the inability to attract new clients, would have a material adverse effect on the Company's results of operations.

COMPETITION

The third party merchandising industry is highly competitive and is comprised of an increasing number of merchandising companies with either specific retailer, retail channel or geographic coverage, and food brokers. These competitors tend to compete with the Company primarily in the retail grocery channel, and some of them may have a greater presence in certain of the retailers in whose stores the Company performs its services. The Company also competes with several companies that are national in scope, such as Powerforce, Spar/Marketing Force, Pimms and Alpha One. These companies compete with PIA principally in the mass merchandiser, chain drug and deep discount drug retail channels.

The Company believes that the principal competitive factors within its industry include quality of service, cost and the ability to execute specific client priorities rapidly and consistently over a wide geography. If any of the Company's major competitors were to seek to gain or retain market share by reducing its prices, the Company could experience downward pressure on the prices that it charges for certain elements of its services. The Company has been forced periodically to adjust its prices to retain certain business. There can be no assurance that these competitors will not reduce their prices, or that in the future the Company will not face greater competition from other national or regional merchandising companies or food brokers.

INCREASE IN SERVICES REQUIRED UNDER FIXED PRICE CONTRACTS

Manufacturers who sell their products through retail grocery stores generally are required by the retailer to provide labor support inside these stores for a variety of purposes, including new store sets and existing store resets, remerchandisings, remodels and category implementations. The Company has historically contracted with its manufacturer clients to provide these services, among others, for a monthly flat fee or, in some cases, for a commission. Substantially all of the Company's current contracts provide for one of these two types of arrangements. As requests for retailer-mandated services and new product introductions by manufacturers have increased over the past several years, the Company's labor expense has increased without any related increase in its revenue. Consequently, the Company has reevaluated its approach to contracting with its clients, and has revised certain of its existing contracts upon their renewal to implement provisions that charge for retailer-mandated services separately from traditional merchandising and shelf maintenance tasks. No assurance can be given that the Company will be successful in renewing the remaining contracts on this basis.

UNCERTAINTY OF COMMISSION INCOME

Approximately 15.0% of the Company's net revenues for the quarter ended March 31, 1997 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. Commission paid to PIA under these contracts have had a significant effect on the Company's profitability in certain quarters. Under certain of 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 that 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.

DEPENDENCE ON SENIOR MANAGEMENT

The Company is dependent upon the services of its officers and the key management personnel involved in its field organization. The loss of the services of one or more of these individuals could have a material adverse effect on the Company. The Company carries term life insurance on Clinton E. Owens, the Company's Chairman and Chief Executive Officer.

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
None

Item 5: Other Information
None

Item 6: Exhibits and Reports on Form 8-K.
(27) Financial Data Schedule

The Company did not file any reports on Form 8-K during the three months ended March 31, 1997.

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/ Clinton E. Owens

Clinton E. Owens
Chairman of the Board and
Chief Executive Officer

By: /s/ Roy L. Olofson

Roy L. Olofson
Executive Vice President and
Chief Financial Officer

Dated: May , 1997

<ARTICLE> 5
<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JAN-01-1997
<PERIOD-END>	MAR-31-1997
<CASH>	21,791
<SECURITIES>	0
<RECEIVABLES>	19,751
<ALLOWANCES>	837
<INVENTORY>	0
<CURRENT-ASSETS>	42,790
<PP&E>	4,192
<DEPRECIATION>	2,409
<TOTAL-ASSETS>	47,261
<CURRENT-LIABILITIES>	11,340
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	59
<OTHER-SE>	33,429
<TOTAL-LIABILITY-AND-EQUITY>	47,261
<SALES>	0
<TOTAL-REVENUES>	29,356
<CGS>	0
<TOTAL-COSTS>	26,369
<OTHER-EXPENSES>	4,870
<LOSS-PROVISION>	330
<INTEREST-EXPENSE>	(255)
<INCOME-PRETAX>	(1,958)
<INCOME-TAX>	790
<INCOME-CONTINUING>	(1,168)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(1,168)
<EPS-PRIMARY>	(0.19)
<EPS-DILUTED>	(0.19)