**Scenario:**

Your organization has recently adopted a **multi-VPC architecture** on AWS to meet the growing demands of your applications and services. The security team emphasizes maintaining **VPC isolation** while efficiently managing **outbound internet traffic**. As the DevOps engineer responsible for the network infrastructure, you implement a hub-and-spoke design using **AWS Transit Gateway**.

**Question:**

Describe the **key steps** and **components** in setting up a hub-and-spoke design with **AWS Transit Gateway to centralize outbound internet traffic from multiple VPCs**. Highlight how this design allows for **VPC-to-VPC isolation** while providing a **centralized management point for outbound internet communication**. Additionally, explain the potential challenges and benefits of adopting this approach in a scenario where your organization manages **many VPCs**.